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## FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

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AGRICULTURAL MARKETS AND TRADE POLICIES
IN THE FEDERATION OF RHODESIA AND NYASALAND

Record demand for imported agricultural products in the Federation of Rhodesia and Nyasaland has been generated by spectacular economic developments. This new Federation in central Africa is the largest exporter of copper in the world. Its secondary processing industries are growing rapidly, but depending to a substantial extent on imported raw materials.

Agricultural development generally in the Federation has not kept pace with its growth in population and mining and industrial development. Most of the Federation lies at an average altitude of between 3,000 and 4,000 feet and most of its crops are subtropical rather than tropical. Its tobacco production has expanded until exports are surpassed only by those of the United States and Turkey, and it produces most of its basic foods, particularly for the african population, but is almost entirely dependent on imports for its wheat, canned, dried and fresh deciduous fruits. The major portion of its butter, more than half of its cheese, nearly all of its tallow, part of its canned vegetables, potatoes, and an increasing portion of its fresh and canned meat are imported.

A large portion of the raw cotton and yarns required for the expanding textile and clothing industry in Southern Rhodesia is presently imported, but at the same time Nyasaland has exported most of its cotton crop to Britain. In addition to the increasing domestic demand for inexpensive cotton wearing apparel and textiles, the Federation is expanding its markets in the Union of South Africa and is seeking a larger market in the Belgian Congo, British East Africa and elsewhere in Africa. With an expansion of employment and rising incomes, domestic consumers are spending more money on beverages, clothing, wheat and processed foodstuffs, especially bread and canned foods. An increasing part of this demand is coming from the African population employed in the urban and mining industries.

#### POPULATION AND INCOME GROWTH

The Federation's African population is about 6.8 million and will at the present rate of increase double in the next 25 years. The European population is nearly a quarter of a million, about double that of 1946, with most of the increase from immigration. Pespite the growing population, the rapid development has been accompanied by serious competition for skilled and semi-skilled labor, particularly because much of the African labor has been working on a short term or temporary contract basis and then returning to the native reserves. Wages for European skilled workers are high, especially in the Northern Rhodesia copperbelt, and wages and standards of living for African workers are rising.

About 900,000 Africans are estimated to be engaged in full or part-time wage work on the railways, in mining and other industry, and on European farms. That number continues to increase because of large development projects, such as the Kariba dam, as well as the expansions in mining and industrial activities. Increasing numbers of Africans are shifting from a subsistence to a cash economy and are settling permanently with their families in mining and urban areas in new housing projects. The same trend, though on a lesser scale, is noticeable in agriculture. It is recently reported that the number of African farmers in Southern Rhodesia owning and operating their farms in freehold outside the native reserves is now in excess of 3,000. Under the Native Husbandry Act proposals for an eight-year program of improvement of African agriculture and shift from communal to individual ownership of land, a very large increase in the number of individually owned African farms is proposed. This is accompanied by a shift of excess population from subsistence agriculture to other types of employment. The movement of Africans into other types of employment tends to increase skill, productivity and wages.

Between 1946 and 1953, Southern Rhodesia's national income nearly trebled. Northern Rhodesia's income increased by 363 percent. The demand for foodstuffs in Northern Rhodesia has caused shortages and high prices. Chilled beef from Bechuanaland and frozen fish from Britain are being shipped by air to Northern Rhodesia. The Federation's whole balance of payments situation (visible and invisible) has continued to improve despite the necessity for substantial increases in foreign capital investment. The deficit in total balance of payments was reduced from 119 million dollars in 1952 to about 45 million dollars in 1954. These improvements have resulted partly from increased national income and partly from recent increases in private and public savings invested in local industrial and development projects. However, the vast multi-million dollar Kariba power project, because of its great size and cost, will have to be mainly financed with outside capital.

The favorable dollar visible trade balance continues to increase, with a dollar surplus of about \$31.6 million for the second half of 1955. From 1949 to 1954 visible exports increased in value by 148 percent, while visible imports increased by only 71 percent, as shown in Table 1.

Table 1: Federation Visible Trade 1954 Compared with 1949 (All Products)

	3	1949	1954:	Percent Increase in 5-Year Period
	\$	Million	Dollars :	
	:			
Imports	\$	\$ 205	\$ 350.8 :	71 percent
Experts	1	\$ 165.4	\$ 411.1 :	148 percent
		(Converted	from E Ste	erling at rate of \$2.80)

#### AGRICULTURAL IMPORTS

While the larger portion of imports consist of capital and manufactured goods, the volume of agricultural imports has significantly increased since 1949. These include wheat, butter, dried milk, cheese and sugar. All three territories import significant amounts of wheat and sugar. Northern Rhodesia currently takes most of the dried milk imports. The greatest shortage of foodstuffs occurs in Northern Rhodesia and this is reflected in rising prices of food items. The leading agricultural imports of the Federation in 1954 (quantity and value) are listed in Table 2.

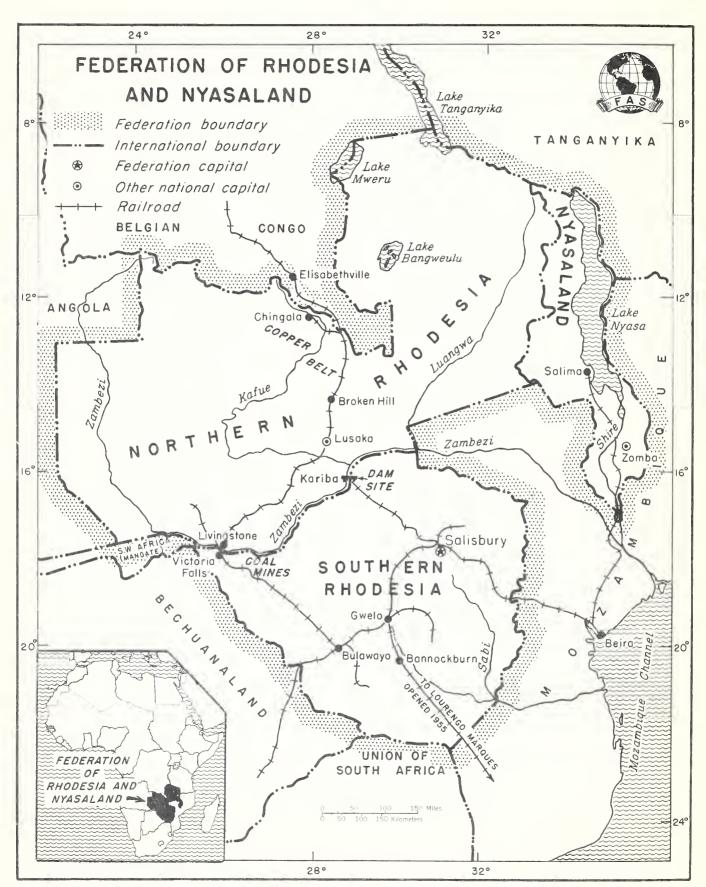
U. S. agricultural trade with the Federation territories expanded in the immediate postwar years. Imposition of import licensing restrictions in 1948 virtually barred all U. S. agricultural products except allow and forest products. Some relaxation for imports of wheat occurred in 1955, and \$630,000 has been allocated for dollar wheat for January-June, 1956.

#### NEW TARIFF AND TRADE AGREEMENTS

A Federal tariff proclaimed July 1, 1955, without previous notice or consultation with foreign countries, has affected the level of duties and preferential relationships. It replaces the three former separate territorial tariffs. This new tariff provides uniform rates of duty for all of the territory of the Rhodesias, except the northeast portion of Northern Rhodesia and all of Nyasaland, which are covered by the Congo Basin Convention of 1885 (General Act of Berlin Relative to Africa). The new tariff gives increased preferential tariff treatment for imports from the British Commonwealth, particularly the United Kingdom.

The import duties on some United States products have not been increased above those previously imposed by Northern or Southern Rhodesia. In the case of tallow from the United States, and several industrial items, however, import duties have been imposed in Northern Rhodesia and Nyasaland since July 1, 1955.

Under the Congo Basin Convention of 1885 and 1890 (as revised by the Treaty of St. Germain of 1919), the U. S. is entitled to equal tariff treatment with the United Kingdom and the Dominions, Belgium, France, and Portugal in all of Nyasaland and the northeastern part of Northern Rhodesia. This Convention applies with equal effect to the much larger area of the Belgian Congo and British East Africa (Tanganyika, Kenya and Uganda).



The new bilateral trade agreement between the Federation and the Union of South Africa, which went into effect on July 1, 1955, extends mutual preferential import duty treatment to specified industrial and agricultural imports moving between these two countries. It especially strengthens the Federation's exports to the Union of South Africa. The free entry into South Africa of wearing apparel and textiles processed 75 percent or more in the Federation, is quite important in relation to the Federation's need for increased imports of raw cotton and cotton yarns. The South African-Federation Agreement also provides for increased quantities of duty-free entry of tobacco from the entire Federation, whereas, free entry was formerly limited to supplies from Northern and Southern Rhodesia.

A new Australia-Federation bilateral trade agreement went into effect on July 1, 1955, replacing the former agreement with Southern Rhodesia. This agreement provides for marketing of specified quantities of Federation tobacco on a preferential duty basis in Australia as well as for free entry of Australian butter and cheese into the Federation. A one penny (1 cent) per pound tariff preference is granted on dried milk from Australia, the chief supplier at present.

Early in 1955, the French-Federation Trade Agreement for calendar year 1955 was renewed on an expanded basis. This provides for the importation of tobacco by Metropolitan France and her colonies valued at \$1.2 million in exchange for increased quantities of French products including perfume, wine, spirits, cigarette papers and other luxury goods.

A number of other European countries have indicated a keen interest in similar agreements.

#### COMPETITIVE SOURCES OF SUPPLY

Wheat imports by the Federation have steadily increased in recent years. Australia was the source of supply for nearly all wheat until 1954, when Canada exported 343,467 bushels to the Federation. Most of Canada's exports did not arrive until 1955. Imports of wheat in 1954 were 2.1 million bushels, but the milling industry is expanding and flour imports are now relatively minor. There is a 5 percent ad valorem import duty on U.S. wheat, but Canadian and Australian wheats are admitted free. No U.S. wheat has been imported recently. Wheat is imported in bags rather than in bulk, which may be a factor in the unfavorable position of U.S. wheat.

Sugar is the most valuable single agricultural import. Imports are largely unrefined sugar from South Africa and Mozambique. Refined sugar is imported chiefly from the United Kingdom and South Africa.

The Federation is both an importer and exporter of raw cotton. Nyasaland, the principal producer, exports most of its cotton to the United Kingdom, but in 1956 is expected to ship more to Southern Rhodesia. Raw cotton was imported in 1954, principally from the following sources in the order listed: Uganda, Tanganyika, Pelgian Congo, Mozambique and Sudan. Total imports that year were 15,465 bales. Raw cotton imports are duty free from all sources, but a 10 percent maximum ad valorem duty can be invoked if desired. At the present time,

cotton from the dollar area is subject to currency and licensing restrictions. There have been, however, recent inquiries from Southern Rhodesia concerning U.S. cotton.

Fiber, yarn and textiles on a value basis constitute one-fifth of the total imports of the Federation. Additional raw cotton is required for the increasing production of cotton textiles and wearing apparel in Southern Rhodesia for domestic and export trade. In addition to the preferential treatment of wearing apparel and textiles entering the Union of South Africa, the Federation also has ready access to markets in British East Africa and the Belgian Congo.

A large proportion of the butter and cheese requirements is imported. The Federation is generally a high cost producer of dairy products. There is a small local production of margarine, but butter is still preferred. All of the canned and dried milk requirements are met by imports. Most of its dairy production is sold in the form of fluid milk, with cheese the principal secondary product in the flush production season. Less than a million pounds of butter is currently being produced commercially.

There is an increasing demand for processed milk by the African urban and mining population. Northern Rhodesia was the major importer of dried milk in 1952. Australia, South Africa, and Canada were the chief sources of imports in 1954. Dried milk from those sources is duty free, but there is an import duty of one penny (1 cent) per pound on supplies from the U.S. Dried milk is now admitted on individual import licenses from all countries.

Butter is imported in increasingly significant volume, and the chief sources are New Zealand, South Africa, and Kenya. It is admitted free from British Commonwealth areas, but there is an import duty of six pence (7 cents) per pound on U.S. butter. The Dairy Marketing Board is the sole importer of butter. No U.S. butter is admitted at present.

Cheese is imported principally from South Africa and New Zealand. Australia and United Kingdom Cheddar, and Gouda cheese are admitted duty free, but the other Commonwealth areas and the U.S. are charged 10 percent. On all other cheese, including tinned and processed, the U.S. is charged 20 percent duty, while the United Kingdom and Commonwealth areas are charged 10 percent.

The Federation is both an importer and exporter of live animals and fresh, chilled and frozen meat. There is an increased demand for canned and fresh meat, which is reflected in the imports. Total cattle numbers, which have not kept pace with the growth in population and demand, were estimated at only 4,355,000 in 1954. However, it was recently reported that the beef industry had been placed on a more stable basis by a five-year price guarantee. The Northern Rhodesian mining areas imported in 1955 chilled beef, as well as live animals, from Pechuanaland Protectorate.

While the Federation is a small importer of bacon and other pork products. it has a small modern hog industry. It has its own pig progeny testing and research station, and is exerting great efforts to increase production. The estimated hog population in 1954 was reported as only 237,000. There is said to be limited local consumption of pork and lard. It exported hams in 1954 valued at \$1,142,000, as well as some high quality pork carcasses to the United Kingdom from Landrace and other improved breeds.

Domestic canned meat production in 1954 was supplemented by imports of 1.6 million pounds from the United Kingdom, South Africa and Australia. On canned meat the United Kingdom pays only 5 percent duty, while other Commonwealth areas and the United States pay 10 percent duty.

Tallow is an important import item, principally from the United States (8,773,397 lbs. in 1954), and secondly from British Commonwealth countries (1,033,327 lbs.). U.S. tallow since July 1, 1955 pays a 5 percent ad valorem duty, while that from Commonwealth countries (including Australia) is admitted free.

Considerable quantities of fresh, canned and dried fruit, and canned vegetables and potatoes are imported, practically all from South Africa. Jams, pickles and condiments are imported in considerable volume from both the United Kingdom and South Africa. Varying preferential rates are in effect for supplies from British Commonwealth areas.

Increasing quantities of imported seeds are admitted free from all sources, South Africa was the leading source, supplying \$114,391 and the U.S. second with \$34,555 out of total imports valued at \$186,687. However, Southern Rhodesia is developing under irrigation a vegetable and grass seed industry for domestic and export markets. Over the past few years, several thousand pounds of lettuce seed are said to have been exported to Fritain and Western Europe. In 1954, the Rhodesia Pasture Seed Growers' Association was formed to provide a continuous source of grass seed for Rhodesian farmers and for export.

While corn has been imported in periods of drought in the past, domestic production of marketed supplies has increased from 3,748,000 bags (200 lbs. each) in 1949/50 to 5,522,000 bags in 1953/54. This is partly because of price guarantees and partly because of recent higher yields of corn in Southern Rhodesia from the use of hybrid seed. Corn is the most important single item in the native African diet.

With the exception of production by about three thousand master African farmers, who own freehold farms, agricultural output by Africans is still largely confined to subsistence crops and livestock. Southern Rhodesia recently estimated that the cash income of its African farmers was only about \$11.2 million. While Southern Rhodesia has recently announced an eight-year \$18 million program for improvement of Agrican agriculture and land tenure, this will probably not affect greatly the continued need for increased imports of certain agricultural items.

#### SUMMARY AND OUTLOOK

The Federation of Rhodesia and Nyasaland currently has the most rapidly expanding economy in Africa, chiefly because of its increasing mineral production. According to recent estimates, the exploitation of its varied mineral resources has barely begun. Because of sparse rainfall during nearly half the year, limited irrigation facilities, and primitive African production methods, food production has not been able generally to keep up with increasing demands. Corn and tobacco, however, are exceptions. Tobacco grown in the Rhodesias is chiefly produced on European-owned plantations, while it is grown largely by natives in Nyasaland. Increasing wages and cash income have resulted in increased demand by urban and mining workers for imported foodstuffs, particularly wheat, dairy products, canned and fresh fruits, canned vegetables, canned meat, livestock for slaughter, and beverages.

Inadequate transport and power facilities have restricted expansion of mining and industry. However, recent improvement in rail facilities, increased staff, and the opening of a new rail line from Bannockburn, Southern Rhodesia, to the port of Lourenzo Marques, Mozambique, facilitates the movement of exports and imports. Completion of the first stage of the vast Kariba Power Project on the Zambezi River in late 1959 or early 1960 will make available more power for the expansion of mining and secondary industries. Other power development projects are under discussion, and arrangements have been completed for securing additional power by 1957 from the Belgian Congo. These capital improvements should result in employment of increased numbers of Europeans and Africans in urban and mining areas, and in further increase of imports of selected agricultural commodities.

Important in the economic development of Nyasaland (where the sole source of income is presently from agriculture) is the Shire Valley Project (irrigation, land reclamation and power), estimated to cost \$215 million over a ten-year period. Funds have been provided to begin the first phase of construction. This project will contribute greatly to competitive production of cotton, corn and other food crops.

The United States is the Federation's best customer outside the British Commonwealth, taking 10 to 15 percent of the total exports. These amounted to \$43.56 million in 1954 and \$27 million for the first half of 1955, providing the Federation with large dollar surpluses. In 1954, the Federation bought only 4.5 percent (\$15.9 million) of its total imports from the United States compared with 12 percent in 1938. Private U.S. capital investments continue to increase in the Federation's mining industry.

The major deterrents to increased U.S. agricultural exports to the Federation are the import licensing restrictions and preferential treatment of Commonwealth products. When the currency restrictions were originally imposed, there was a dollar shortage but that shortage has now disappeared. There has been some relaxation of currency and import licensing restrictions during the past year, which has benefited particularly Western Europe and Canada.

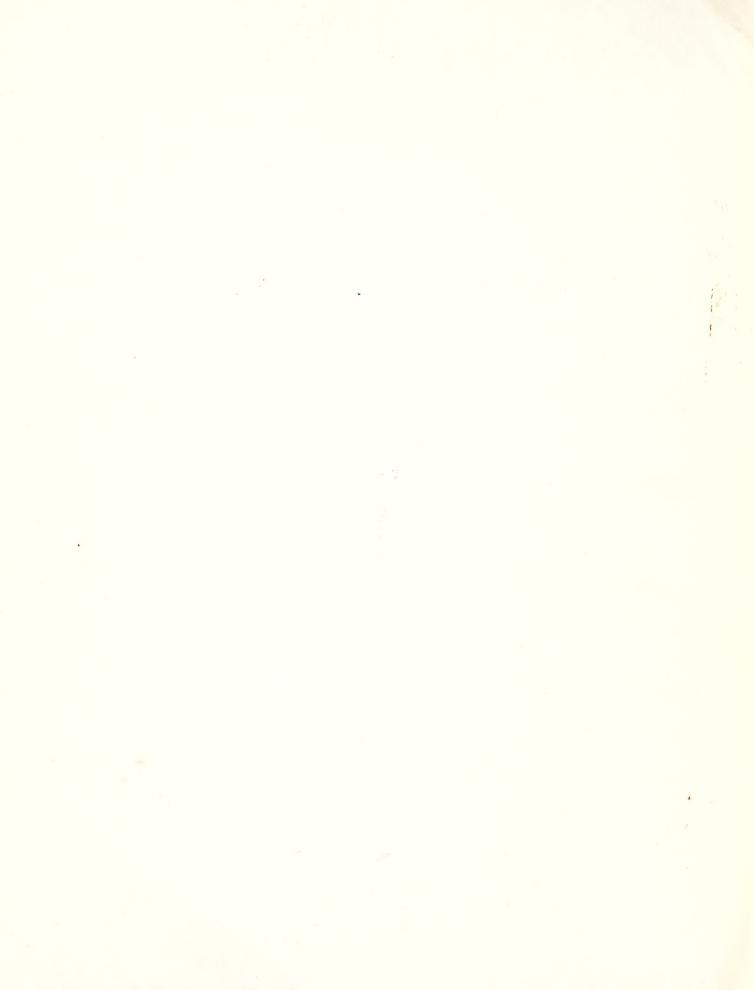
The importation of agricultural products from the United States is handicapped by the preferential tariff treatment and import licensing policies. Agricultural products from competing Commonwealth countries are usually admitted duty-free, while on U.S. products duties of 5 to 10 percent are levied.

Table 2: Federation's Leading gricultural Imports in 1954
(L sterling converted at \$2.80)

Commodity	-	Quantity		1	Unit	:	Value
Commodity	1	Quantity		-	OHIC	-	Value
Sugar, refined and unrefined	:	105.8 milli	022	:	lbs.	:	\$ 5,363,198
heat	ő	2.1 milli		•	bus.	i	3,934,000
lour, wheat	ě	3.2 milli		ð	lbs.	i	136,724
otton, raw	ě	15,465		h	ales(U.	2 3	2,466,145
utter	ð	5.17 milli		100	lbs.	0. )	2,265,348
allow	ě	9.8 milli		•	lbs.		722,347
attle for slaughter	i	39,261		•	No.	•	2,319,680
eedstuffs for animals	0	31.6 milli		•	lbs.	9	933,713
onfectionery, chocolate	ě	1.5 milli		•	lbs.	•	896,85
onfectionery, other	ě	2.5 milli			lbs.	9	767,009
iscuits, puddings, bread.	ő	2.) IIII III	OII	•	TD2.	i	707,00
cakes and pastry	i	0 0 -4794		8	76-		770 550
	ě	2.2 milli		•	lbs.	•	718,550
ilk, dried	8	2.l milli		0	lbs.	:	675,25
ilk, condensed, whole cream	1	3.9 milli		0	lbs.	:	661,676
	•	1.2 milli			lbs.	:	426,25
ruit, canned	3	3.2 milli	on	0	lbs.	0	528,632
ruit, fresh (exclusive of	3	00 3 +33+		2	7.1	:	000 000
citrus)	0	22.1 milli	on		lbs.	•	929,399
xtracts and essences-non-	0	200			77.5	:	~~~ da
spiritous	0	390 thous		3	lbs.	:	529,819
ams	8	4.5 milli		•	lbs.	0	555,209
egetables, canned	0	3.2 milli		0	lbs.	:	497,35
ickles, sauces and condiments	0	1.3 milli		0	lbs.	:	363,208
aby foods		650 thous		\$	lbs.	\$	221,08
otatoes	1	10.4 milli		6 6	lbs.	*	343,196
eat, canned	0	1.6 milli		:	lbs.	0	305,883
eat, fresh, frozen or chilled	0	2.2 milli		•	lbs.	:	311,108
eeds for planting	•	563 thous		•	lbs.		186,687
ausage casings	*	78.6 thous	and	:	lbs.	1	55,743
Total	:	anatorius apratorius apratorius eter verratorii e eter	-	3			\$27,114,069







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## FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE

WASHINGTON D.C.

THE STREET RECORD

FATP 2-56

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February 8, 1956

Food and Agricultural Situation in the Dominican Republic 1/

The United States supplies around 65 percent of the total value of all imports into the Dominican Republic, providing the bulk of cotton and cotton products, as well as important quantities of meat and meat products, wheat flour, bakery and cereal products, fresh fruits, evaporated milk and canned and preserved foods. Recent developments, however, have pointed up the importance of the Dominican Republic as an actual or potential competitor of the United States for Caribbean and Latin American markets for meat, citrus fruits, rice, corn, cotton and peanuts. The Dominican Republic is presently an important source of sugar, cacao and coffee. These three products accounted for around 79 percent of the total value of all exports in 1954 and around 85 percent in the first six months of 1955. The United States is the most important single destination for exports of these commodities.

#### Agricultural Production and Trade

Food supplies in 1955 were adequate and more than satisfied requirements of an increase in population. Two new sugar mills are under construction and a substantially large area is being planted to sugar cane on lands where previously none had been cultivated. Rice production is increasing and the 1955 crop will probably exceed those of previous years in spite of a heavy infestation of rice stink bug. The Dominican Republic is now self-sufficient in rice and is able to produce small annual exportable surpluses. States exports of lard to the Dominican Republic have practically ceased as a result of a successful policy of self-sufficiency in peanut oil. Furthermore, lard imports are controlled by licenses and discouraged through application of a comparatively high import duty. United States baby chicks for broiler production have been introduced successfully into the Dominican Republic and the broiler industry now accounts for imports of baby chicks from the United States of about 9,000 monthly. Imports of baby chicks are expected to increase substantially for some time. The livestock industry is making substantial strides in quality improvement and in total production of fresh beef. Small exportable annual supplies of fresh beef and a new meat packing plant are reasons why the Dominican Republic can probably compete on a relatively small scale with the United States for Caribbean and other Latin American markets.

<sup>1/</sup> Prepared for publication in the Latin American Analysis Branch.

#### Sugar

In the face of large world supplies of sugar, the Dominican Republic is continuing to increase production of this commodity, and to increase more than ever total investment in the sugar industry. Some land formally in rice in the Northwest part of the country, and other areas that have not previously been in agricultural production, are now being planted to sugar cane. One new sugar mill is now under construction in that area and another mill, reportedly with twice the capacity of the largest existing Dominican or Puerto Rican mills, will be constructed as soon as the other is completed. It is estimated that almost 70,000 acres will be planted to sugar cane in areas that previously have never known a cane plant.

The traditional market for Dominican sugar is Great Britain. In the past, that country was the destination for around 66 percent of total Dominican sugar exports. This is significant when one considers that sugar presently accounts for about 31 percent of the value of total annual Dominican exports. Takings by Great Britain now appear to have declined to slightly more than 50 percent of total sugar exports, due in part to recent dollar supply difficulties and also to a shift by Great Britain to other sources of supply. End-of-year stocks have been insignificant in size, and there appears to be no doubt that the additional emphasis currently being placed on sugar production is part of an over-all strategy to secure a larger portion of the United States market.

#### Coffee

Production of coffee in the Dominican Republic has shown an upward trend in the last five years and it is possible that the 1956 crop will exceed that of any previous year. A preliminary estimate places this years total crop at 534 thousand bags compared with a preliminary estimate for last year of 442 thousand bags. Coffee is the second export crop. The United States is the chief buyer of Dominican coffee, and this commodity is of increasing importance in the trade between the two countries.

#### Cacao

Cacao is the third export crop, an average of 90 percent of the total production of cacao beans being exported as raw beans or in the form of chocolate slab and by-products. Reliable estimates put the quantity of cacao beans used for the manufacture of these products at 30 percent of total cacao bean production.

The 1954-55 cacao crop was large, and usually the crop that follows an abnormally large one is considerably reduced. The winter crop that is now being harvested is even smaller than originally expected. This crop is estimated to be as much as 35 percent below the 1954-55 winter crop of 34 million pounds. The total 1955-56 crop is estimated at from 74 to 76 million pounds. Because of recent favorable prices on the world markets, the total area in cacao is estimated to have increased about 2 percent annually since the late 1940's.

#### Rice

During the pre-war period up to 1940, the Dominican Republic was a net importer of well over 70 million pounds of rice annually. Since 1940, the country shifted to a small net export basis with the exception of one or two years when there were short crops. Recently, a considerable portion of the total efforts expended on the 5-year agricultural developmental program has been directed toward increasing rice production. By reclaiming vast areas of undeveloped land, and by making use of an efficient, widespread irrigation system, rice production in the Dominican Republic amounted to around 180 million pounds of rough rice in 1954, a record crop. Considerable increases in area planted to rice, and favorable prices to farmers during 1955 encouraged even greater increases in rice production.

The Dominican Republic is now self-sufficient in rice. The country is presently in a position to export small quantities of rice, in fact, exported about 25 short tons to Haiti during 1954. Imports of rice are forbidden except for seed rice for which licenses are required.

In the long run, rice exports from the Dominican Republic do not represent a serious threat to the United States. It is important to note, however, that small exports of Dominican rice to each of the Caribbean markets could in their entirety amount to a significant total. In all probability, however, exports would have to be subsidized, since current costs of production in the Dominican Republic would make it difficult for Dominican rice to compete at present world market prices.

#### Lard

United States lard exports to the Dominican Republic, although never very large, in the past always accounted for an important part of total Dominican requirements for fats and oils. In 1947, the Dominican Republic took almost 900,000 pounds of United States lard but, since then, takings have declined to the point where in 1955 imports of lard from the United States did not total 200 pounds.

One of the most important deterrents to continued imports of lard from the United States into the Dominican Republic is the unusually high tariff of 50 cents per net kilo 1/. This amounts to considerably more than the present United States FOB price of about 12 cents and becomes prohibitive when consular, handling, invoice, and other charges that total about 30 percent ad valorem are added to the tariff. Furthermore, all lard imports must be licensed through the Dominican Department of Commerce.

Another significant factor in this decline is the apparently successful attempt by the Dominican Republic to be self-sufficient in fats and oils. The country's only peanut oil mill, in which the government has a substantial interest, has successfully encouraged peanut production by providing seed to farmers free of charge, by providing fertilizers, insecticides, and other farm requisites to farmers at cost price, and by establishing pools of farm machinery for rental to farmers at advantageously low prices.

<sup>1/</sup> Article 1 of Decree No. 6767 of August 26, 1950 states that this tariff will be reduced by 40 percent, and that importers may import lard at the reduced rate. This works out to a rate of 13.6 cents per net pound.

Lard was for years the traditional cooking fat in the Dominican Republic and still is preferred by a considerable portion of consumers. Through the policies and devices mentioned above, however, consumers have been encouraged to buy peanut oil, and probably have developed a taste for that product as a result.

#### Poultry and Eggs

The Dominican Republic is fast becoming a relatively important market for United States baby chicks. In the past, only insignificant quantities of poultry and poultry products were imported. Now, undoubtedly stimulated by the Dominican International Fair for Peace and Brotherhood and, more important, a substantial increase in tourist travel into the country, baby chicks for broiler production are being imported from the United States in unprecedented numbers.

There are now two comparatively large broiler farms in operation in the Ciudad Trujillo area. One is producing broilers at a rate of about 3,000 a month, and the other will soon reach an output of 6,000 per month. Several other broiler farms are past the planning stage. The U.S. Embassy has received at least four requests from prospective broiler raisers for information on hatcheries, poultry equipment, and feed suppliers in the United States, further pointing up the considerable current interest in the country in developing a poultry industry.

With the increase in poultry imports, there has been a concurrent increase in imports of United States prepared feed concentrate and mineral mixtures. In addition, there appears to be widespread knowledge of the advantages to be gained from the use of antibiotics and growth factors in poultry feed. Through the use of these products, one establishment has been able to reduce the total length of time necessary to finish off a two and a half pound broiler from 10 weeks to less than 8 weeks.

It appears, therefore, that the Dominican Republic should be a favorable potential market for United States poultry products for some time to come, particularly if a high quality product continues to be offered at prices competitive with the domestic poultry.

#### Livestock and Meat

The livestock industry in the Dominican Republic has grown with the development of the sugar industry, spurred by a constant heavy demand for draft animals to haul sugar cane carts. Bullocks and oxen have long been found to be most satisfactory for this work, and sugar companies have found it more expedient to maintain breeding herds as a source of supply for this draft power rather than continually to import stock. As a result, several large ranches are flourishing throughout the country at most of the sugar centrals.

Under the direction of livestock technicians, Zebu and Brown Swiss cattle have been crossed with native criollo cattle over a long period resulting in several distinct new breeds of high quality, dual purpose, meat and work animals. As a matter of fact, the increase in cattle population over a period of several years has exceeded requirements of the sugar industry for draft power to the extent that there are now exportable surpluses of meat and live animals.

The principal market for Dominican meat exports is currently Puerto Rico, and it is unusual that a day passes when an airplane does not leave Ciudad Trujillo with a load of carcasses.

Recently, private individuals as well as the Dominican Government have shown increasing interest in developing the livestock industry. Not only is there interest in importing United States breeding stock to upgrade the quality of Dominican beef, but also there is considerable interest in developing export outlets for live animals and meat. This unquestionably accounts for much of the interest shown by the Dominican Government in the International Livestock Exposition being held in conjunction with the Dominican International Fair for Peace and Brotherhood.

The United States can be assured of a market for breeding stock in the Dominican Republic for several years to come. The recent opening of a packing plant that turns out good quality meat products, and favorable prospects for an increase in total meat production in the Dominican Republic will probably account for a gradual reduction in imports of United States meat products. Officials of the meat packing plant frankly state that they are actively campaigning for export outlets for their products; and the wide variety of products produced by the plant e.g., vienna sausages, mortadella, United States style frankfurters, Spanish sausages, and Italian salami and bolonies enables them to to meet the particular requirements of most foreign markets.

#### Corn, Citrus Fruit, Bananas, and Minor Fruits and Vegetables

During 1954, the Dominican Republic exported to Puerto Rico the substantial number of at least 3 million pineapple slips. The Dominican Republic is a moderately large exporter of plant slips, cuttings, seedlings, and other forms of living plants.

This country is also a relatively important supplier of minor fruits and vegetables to the Caribbean areas, particularly the Netherlands Antilles. Exports to this area consist for the most part of corn, bananas, citrus fruit, and minor fruits and vegetables, although the largest single commodity valuewise is unrefined and refined sugar. Exports of foodstuffs and agricultural products in 1954 were valued at 1.2 million dollars, and final figures for 1955 probably will not show a decline.

Corn is a relatively important export crop and the Dominican Republic has been a consistently large supplier of this product to Puerto Rico. Average annual corn exports during the six-year period 1949-1954 were 25,000 metric tons with an average annual value of about \$1.4 million.

Oranges are a small, but relatively steady agricultural export item. Sweet orange exports in 1949 totaled almost 10 million in number, but since then have declined to slightly over 5 million oranges annually. The bulk of orange exports goes to the Netherlands Antilles and, to a much lesser extent, to other island areas in the Caribbean.

#### Cotton

For some time the Dominican Republic has shown considerable interest in the development of cotton production. The Government apparently plans to push commercial cotton production and has given initial impetus to a comparatively large scale cotton program by Resolution No. 4125 of April 25, 1955 which provides for financial and technical assistance to be provided farmers by La Algodonera C. por A., the country's largest and most versatile textile mill. Under terms of this Resolution La Algodonera will be exempted from payment of any type of surcharge, duty or tax and any other fiscal obligations that may be applied to agricultural machinery and its parts or accessories, motors, transportation equipment and any other instrument necessary for the development and operation of the cotton production program. This will remain in effect until July 31st, 1959.

#### Tobacco

The Dominican Republic is a potentially important producer of high quality cigar tobacco. Because there is no grading system based on quality, nor is any premium paid for quality export leaf, the farmer has little incentive for raising the standard of his product. What little high quality tobacco is produced, however compares favorably with the better Cuban leaf.

Two types of tobacco are produced in the Dominican Republic - olor and criollo. The following general characteristics apply to the two types: olor, so-called because of its higher bouquet and fuller aroma, is considered the better of the two types from the standpoint of smoking quality and is used largely for domestic consumption for the manufacture of cigars and andullo smoking tobacco. Criollo tobacco is grown primarily for export for use in the manufacture of cigars, black cigarettes, and smoking tobacco. It is coarser and rougher in texture and has a stronger taste than olor.

The principal countries of destination for Dominican tobacco are: Spain, which is the largest importer, Switzerland, Germany, Belgium, France, North Africa, Portugal, and Indo-China.

Estimated production of tobacco in the Dominican Republic for the year 1955 amounted to 50.5 million pounds compared to 41.5 million pounds in 1954 and 47.2 million pounds in 1947/51.

#### Trade With United States

The value of United States agricultural exports to the Dominican Republic has increased five-fold over the past two decades, so that in 1951 the value of agricultural exports was as great as total exports before the war. (Table 1) Over the past three years agricultural exports to that country have gone down in value as total agricultural exports have declined. Agricultural exports represent about ten percent of the total, with the balance being made up of

industrial goods. Imports into the United States from the Dominican Republic have increased also, most of the total being accounted for by agricultural products.

Table 1.

U.S. Trade with Dominican Republic, Total and Agricultural Products

#### Million Dollars U.S. Exports U.S. Imports Total Agricultural Total Agricultural Average & Annual 1935-39 5.5 0.7 5.9 5.6 1940-44 10.1 10.4 9.8 1.1 1945-49 36.3 25.1 3.7 23.9 1950 37.6 40.8 4.3 36.8 1951 48.1 5.5 48.3 47.5 53.9 5.2 56.3 1952 55.1 1953 47.0 5.2 52.4 50.8 1954 51.8 4.8 72.0 69.8

The most important agricultural items in the export trade are wheat flour and other grains and grain products. Vegetable preparations, breeding cattle, fruit and preparations, and cotton followed in that order in 1954. (Table 2) The United States sold to the Dominican Republic agricultural products valued at \$4.8 million in 1954, of which grain accounted for \$1.8 million, breeding cattle at \$0.6 million, and vegetable products at \$0.6 million. On the import side, coffee was the principal item followed by cacao beans and chocolate. The United States bought from the Dominican Republic agricultural products valued at \$70 million in 1954, of which coffee was valued at \$27.8 million, cacao beans at \$23.0 million, and chocolate at \$7.8 million.

### Table 2.

# U.S. Trade with Dominican Republic Selected Agricultural Products 1953 & 1954

#### Million Dollars

#### U.S. Exports

	1953	1954
Wheat flour Other grains Vegetable & preparations Fruits & preparations Cattle, breeding Tallow, inedible Dairy products Cotton Meat & products Other	1.6 1.0 0.5 0.4 0.4 0.3 0.2 0.2 0.2	0.8 1.0 0.6 0.4 0.6 0.3 0.2 0.4 0.1
Total	5.2	4.8

#### U.S. Imports

	1953	1954
Coffee Cacao beans Chocolate Sugar Molasses Beverages 1/ Corn I/ Fresh beef Other agricultural	19.0 15.4 5.1 3.2 2.1 1.9 1.4 1.4	27.8 23.0 7.8 3.2 2.0 2.2 1.4 1.1
Total	50.8	69.8

<sup>1/</sup> Imported into Puerto Rico.

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## FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

MAR 2 7 1955 ★

U. S. DEPARTMENT OF AGRICULTURE

FATP 3-56

February 8, 1956

Chile: Establishment of 1956 Export Quotas on Farm Products 1/

Export quotas for 1956 farm and lumber products have been set by the Chilean Ministry of Economy in Decree No. 1170 of December 30, 1955. Early in each calendar year estimates of the availabilities of the principal commodities in excess of likely domestic requirements are made and corresponding export quotas established. The primary objective of the export controls is to assure adequate supplies for domestic consumption and prevent excessive buying for export from driving the domestic price level upward unduly. 2/ The new decree covers products subject to quantitative control, those prohibited from export or subject to special authorization and those free of export control for 1956 as follows:

#### List of Farm and Lumber Products Subject to Export Quotas

Commodity	Quota	,
3/	(Metric	tons)
Garlic	4,000	
Algarrobilla (screw beans)	200	
Peas, whole		
Rolled oats		
Oats in grain  Pearled oats		
Barley in grain		
Malting barley		
Onions		
Bees wax	500	
Dressed horse hair up to 0.1 inches in length	20	
Dressed cattle hair	30	
Horn tips, cattle	50	
Animal hair, waste	3	
Wool (sheep) from Aysen and Magallanes Regions	4,000	
Honey	5,000	
Goats hair	100	
Soap bark (Quillay)	1,200	
Salted casings	400	
Large and medium sized garbanzos (chickpeas)	870	
Apples (standard boxes of 44 pounds net)	900,000	

<sup>1/</sup> Prepared for publication in the Latin American Analysis Branch.

<sup>7/</sup> For background information on Recent Events in the Foreign Agricultural Trade and Exchange Situation of Chile, see FATP 9-54, October 11, 1954.

<sup>3/</sup> One metric ton equals 2204.6 pounds.

The following timber is subject to export quotas:

Poplar	1,200,000	square	feet
Laurel	10,000,000	11	11
Oak sleepers			H
Lingue (hardwood)	2,000,000		11
Rauli (hardwood)	15,000,000	11	78
Oak		11	77

#### List of Products Freely Exportable

Fresh Fruits: Watermelons, pears, peaches, nectarines, plums, grapes, cherries, melons.

Dried Fruits: Apples, sweet and sour cherries, apricots, peaches, almonds, chestnuts, walnuts, palm nuts, pitted peaches, unpitted peaches, raisins.

Vegetables: Canned and fresh fruits and vegetables, tomatoes, tomato sauces and paste, split peas, broad beans.

Pulses: Lentils, export type beans: Rice, Crystals, Flagelots, Red Kidney, Red Mexican.

Miscellaneous: Boldo leaves, laurel leaves, pichi leaves, tilo flower, ratany root, pyrethrum, dried mushrooms, canary seed, mustard seed, corjander seed, ground paprika and Chili pepper, marjoram seeds, hemp fiber, hemp tow, hemp textiles, flax fiber, flax tow and flax textiles, olives, wines and liqueurs.

Uncured rabbit skins\*, uncured hare skins, hare hair, hog hair, cattle hair.

All timber except as listed under export quotas.

\* Now prohibited.

#### Prohibited Exports

Certain skins and feathers, Paprika, whole, Chili pepper, whole, Oil cakes, Corn starch, Flax seed. Wheat bran, Processed wheat, Preserved meats, butter Wheat flour, and cheese, Semolina. Merino wool, Spaghetti, Uncured cattle hides, Crackers, Cured and uncured rabbit skins, Live swine, Pickled meats, Corn. Small garbanzos, Alfalfa, clover and orchard 1/ Alpca and llama wool grass seeds 7/ Uncured sheepskins

1/ Freely exportable if originating in the Department of Arica. 2/ Exportable from Aysen and Magallanes upon inspection.

By and large Chilean agricultural exports are similar to those exported from the United States and compete with our products in third markets. Agricultural trade between the two countries, therefore, is relatively small. In 1954, United States imports of agricultural products from Chile were valued at only \$2.6 million or 1 percent of total imports. United States agricultural exports to Chile for the same year were valued at \$11.8 million or 16 percent of total exports. About 47 percent of the total value of the exports was for cotton and another 27 percent was for refined cottonseed oil. United States imports of farm products from Chile, however, have generally been heavier than in the other direction although our exports to Chile fluctuate greatly.



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## FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

MAR 2 7 1956

FATP 4-56

February 9, 1956

THE ACRICULTURAL SITUATION IN THATLAND, 1955

A program of agricultural expansion and diversification is expected to lead to considerable changes in the economy of Thailand. This country of 20.3 million people has an area of 126.5 million acres and is located on the Indochinese Peninsula. It is bordered by Laos to the North, Cambodia to the East, Malaya to the South and Burma to the West. Forest land extends over 75 million acres and cultivated land covers 20 million acres. Agriculture (including fishing and extraction of forest products) provides employment to nearly 85 percent of the working population and accounts for 50 to 55 percent of the national income. Exports of agricultural commodities provide the main source of foreign exchange earnings and contribute substantially to government revenues through taxes and profits from state trading.

Agriculture, directed mainly toward the production of food crops, is dominated by small scale peasant farming, with average size holdings of about 6 acres. Plowing and harrowing are generally done with water buffalo or native cattle, practically all weeding and harvesting are done by hand and most implements are rather crude and inefficient. As yet little fertilizer is used and yields are generally low. The major long range problem facing the country is that of raising the low standard of living of the people by encouraging better utilization of available resources.

The Government of Thailand recognizes the need to increase agricultural production, and policies are being directed toward that end. Development plans cover a wide range of activities including irrigation, rice breeding, fertilizer use, plant-pest control, sericulture, stick lac, rubber, cotton, other upland crops, and the sale of vegetables. A program for developing pastures and for increasing livestock and meat production is getting under way.

Certain adjustments in export licensing, pricing and taxing policies are being contemplated in order to provide greater economic incentives to farmers. Financial assistance from the United States Government and loans from the International Bank for Reconstruction and Development are facilitating development programs.

Rice, the mainstay of the Thai economy, provided in 1954 30 percent of the total revenue collected by the Government and 58 percent of the foreign exchange earned. In world rice markets, Thailand is undoubtedly in a strong competitive position with respect to quantity, quality and price. Vying with Burma for fifth place among the free-world rice producing countries, she is exceeded in total production by India, Pakistan, Japan and Indonesia—all countries with greater land area and far larger populations. In the prewar period Thailand was the second largest rice exporter, exceeded only by Burma. In 1950 she became the leading exporter and maintained that position through 1953 when she again slipped into second place.

Rice accounts for 92 percent of the cropped area and extends to all geographic regions of the country, but production is largely concentrated in the Central plain. Consequently it is from this area that most of the exportable surplus comes. Elsewhere in the country rice is grown for home use, as it is the major item of food consumed in all sections of Thailand. The concentration of population is in the Central plain and its comparatively greater agricultural developments are attributed largely to its fertile soil and favorable conditions of water supply. The major part of the rice area is accounted for by wet-land rice, 75 percent being produced by transplantation method, which gives better yields and quality but requires more labor.

Production from 1929-30 to 1947-48 fluctuated between 2.4 and 3.5 million metric tons, milled rice, but since 1948-49 has increased steadily, reaching a peak of 5.3 million tons in 1953-54. The past year, 1954-55, was a drought year and production dropped to 3.8 million tons but prospects for this year, 1955-56, appear better and a rough estimate places the crop at 5.0 million tons.

Exports of rice have decreased in volume since 1952 and in 1954, at 1.2 million tons, milled rice, were the lowest in recent postwar years. Value-wise, rice exports, as a result of the high prices prevailing on world markets, have increased, accounting for 59 percent of the total in the period 1948-54 compared to 46 percent of the total in prewar. Ninety percent of the exportable rice has been sold in Asian markets.

Rice yields since 1945 have averaged about 1,100 pounds per acre compared to 1,400 in the prewar period. Fertilizers are not commonly used except for raising seedlings. Because of the prevailing high prices of fertilizer, efforts to increase its use have met with little success. Since the end of 1949 the ratio between fertilizer and rice prices has become more favorable and at present there is a policy of heavy subsidization underway to enable cultivators to secure fertilizer at more favorable prices. Experiments have shown that a combination of nitrogenous and phosphatic fertilizers applied in optimum amounts can yield

increases of rice from 25 to 200 percent. It is hoped the area fertilized will gradually increase, but the important problem is the price ratio. If the price of rice goes down and that of fertilizer goes up, no progress is expected.

Export trade in rice, a State monopoly during the postwar period, has been opened to commercial channels from the beginning of 1955. Nevertheless rice exports have continued to be a major source of state revenue because of the premiums paid for obtaining export licenses and the provisions regarding surrender of stipulated amounts of foreign exchange to the Bank of Thailand at controlled rates. While opening of commercial channels in 1955 created conditions favorable for increasing exports, available supplies are expected to limit 1955 exports to about 1.3 million tons including rice products. In succeeding years, rice exports are expected to increase substantially, rising above 2 million tons annually after completion of the Chao Phya irrigation project makes possible a substantial increase in production.

Changes in the supply-demand situation for rice on world markets require that increases in production be secured at lower per unit costs. It is hoped to accomplish this by irrigation, fertilization, and improvement in seed. In 1937-41 the total area of paddy fields amounted to 10.6 million acres of which 8.9 million were seeded, 7.9 million harvested, yielding 4.7 million tons of rice paddy. Rice production cannot be stabilized without effective means of controlled water supply, and without irrigation the Central plain cannot be made to produce maximum yields. If exports of rice are to expand in a buyers' market, then concentrated development on the Central plain is needed in order to secure larger per acre yields. Water control systems are needed for stabilization of agricultural production.

Broadly speaking Thailand, as a whole, has a rainy season beginning in May and ending in October and a dry season from November to April. Records show there are more drought years than flood years, therefor, not only is flood control needed but also irrigation. In 1953 the irrigated area equalled only  $2\mu$  percent of the cultivated area.

There has been under way for some years a major irrigation and flood control scheme for the Central plain known as the Chao Phya Project. Purchase of machinery and equipment required for this project is being financed from a loan of \$18 million obtained from the International Bank for Reconstruction and Development. When completed in 1958 this scheme will extend irrigation to an additional 2.5 million acres and is expected to increase rice production by 800,000 metric tons annually. The export target for the 5-year period following the completion is placed at around 2 million tons. Not only will the rice crop benefit from a controlled supply of water but it will also be possible to raise a second crop in the dry season.

In order to make full use of these facilities, small ditches and control dykes are needed to take in or drain off water from the plots as required. Machinery for this purpose—tractors and ditching machines—has been made available by the United States Government under its economic aid program. As a result of the ditching and dyking operations about 74,000 acres will benefit each year from 1954 onwards and production on the area covered is expected to increase about 20 percent.

Preliminary preparations for the larger Yarn Hee multiple purpose dam are progressing rapidly and this development will also make possible the production of two crops on land which have been producing only one marginal crop each year. Cheaper hydro-electric power will eventually make possible pumping of water from deep channels on the flooded Central plain to areas which at present cannot be served economically by gravity flow canals.

A well organized effort is being made to find improved, adapted varieties of higher yielding economic plants, particularly rice, and to make these seeds available to farmers in large quantities. Government departments have acquired heavy power equipment for reclaiming fertile jungle land as a further measure to increase rice production.

Taxing policies are an important factor in the pricing of export rice. Taxes on farm lands are low, and water services to rice farmers are provided free of charge by the government. On the other hand heavy taxes are imposed on all rice that is exported. Thus any revision in Thailand's taxing system which would provide less dependency on revenue from rice exports would probably result in a reduction in rice export taxes and place Thailand's exportable surplus of rice in a highly competitive position. As rice trade has shifted from a seller's to a buyers' market Thailand has released its export control and reduced export taxes on rice. However, such taxes are still quite high.

For the foreseeable future, rice will continue to dominate the economy of the country, but diversification of agricultural production is planned with a view to reducing somewhat the overwhelming importance of rice and at the same time secure better utilization of agricultural resources and provide the people with a better diet. It is hoped to accomplish this by stimulating the planting of new crops and by livestock and poultry development in regions where rice is grown on lands better suited to other crops. Increases in the production of leguminous crops in the Central plain as a second crop would conserve soil fertility and be an addition to the protein food supply available.

~ 7 ~

Estimated Per Capita Food Consumption in Thailand

Commodity	•	1952-53	•	1953-54	:	1954-55
	:-		Ca	lories per	day ·	
Grain <b>s</b>	:	1,586	:	1,651	:	1,536
Pulses	2	46	:	46	:	19
Roots and tubers	:	42	:	38	:	20
Sugar	8	27	*	36	:	44
Oilseeds	:	50	:	136	:	133
Oils and fats	:	35	*	14	:	24
Vegetables	:	33	:	34	:	32
Fruits	:	61	:	61	:	96
Meat	:	114	:	112	:	81
Fish	:	39	2	39	:	77
Milk	:	15	:	18	:	16
Eggs	?_	5	:	5		5
Total	\$	2,053	:	2,190	:	2,083

In addition to rice Thailand produces exportable surpluses of corn, peanuts, sesame, mung beans, soybeans, cassava starch, castor beans, kapok, swine, carabao and cattle. Minor export items include copra, dried chile, fruits, and medicinal plants. The principal crops cultivated for domestic consumption are sugar cane, cotton and tobacco, none of which are grown in sufficient quantities. Thailand imports substantial quantities of sugar, and cotton (mostly manufactured), and also imports some tobacco leaf for blending in cigarettes.

Thailand produced about 8 million pounds of Virginia type, flue-cured tobacco leaf in the period 1947-51 but jumped to an average of 22 million in 1954 and 1955. Flue-cured leaf may be produced only by licensed growers and processors, and all production must be sold to the Thai Tobacco Monopoly, a government owned enterprise. Domestically grown tobacco leaf has been over-produced and an effort is now being made to find export outlets for accumulating surpluses. Thai flue-cured leaf is poor in quality and lacking in flavor and aroma, and the Monopoly imports about 6.6 million pounds of United States tobacco each year for blending with locally produced leaf to improve the quality of its better grades of cigarettes. Flue-cured acreage reached its highest level in 1953, declined slightly in 1954 and is believed to have declined still further in 1955.

In an effort to meet domestic needs, sugar cane acreage has been expanded considerably. With policies designed to give protection to the local industry, governmental efforts are being made to reduce sugar imports. Efforts have also been made to increase cotton production, but these have not been particularly successful.

Rubber production in 1954 reached a record high of 120,000 metric tons and exports 118,574 metric tons. Based on the ten months exports of 115,000 metric tons, prospects are for an even larger yield in 1955 with year end exports totaling approximately 137,000 tons. The relative importance of rubber in 1954 as a source of foreign exchange increased to 21 percent from approximately 13 percent the year previous. It still remained, however, a poor second to rice, which accounted for 58 percent. The United States, as in preceding years, is still taking almost 98 percent of the total. The Thailand government obtained an estimated 206.5 million baht (16.5 million U.S. dollars) from all rubber taxes and exchange profits in 1954. The estimate of exchange profits is based on the fact that 20 percent of the foreign exchange received by the rubber exporter had to be sold to the Bank of Thailand at an official rate of approximately 12.5 baht per U. S. dollar. While the 80 percent of foreign exchange was sold at the official rate, it made a profit of approximately 8 baht per dollar. This system of surrender of foreign exchange at the official rate was replaced in the latter part of 1955 by a sliding scale export tax.

On December 7, the draft of a Rubber Replanting Fund Act was approved by the Government. Under the provisions of this Act exporters will pay a tax based on the market price of rubber. At present prices, this fee will be just under 1 baht per kilogram (2.8 cents per pound). The income thus obtained will be put in a special fund and will be used for aiding rubber producers in replacing old, damaged, or low-yielding trees with high-yielding trees. Five percent of the income will be used by the Farming Department for research and development of high-yielding plants. The small estates—below 20 acres—would receive 75 percent of the remaining funds. The Rubber Division states that according to its preliminary estimates, approximately one-fourth of Thailand's rubber trees should be replaced. Lacking a specific Government aid program, the rubber producers, especially the smaller ones, have done little to improve the quality of their product.

Along with agricultural diversification and expansion, emphasis is being placed on the development of industries particularly industries to process domestically produced farm products. For example, expanded coconut production might lead to development in oil extraction and industries such as soap and refined vegetable oil manufacture. Main emphasis is on processing raw materials, with a view to reducing imports of consumer goods.

Estimated Livestock Population, averages 1935-39, 1945-49 annual 1950 to 1954. THATLAND:

Ttom	••	AV	Averages	D C	•	סאַסר	•	רשטר	•	משטר	10	כאטר	••	ואטר
T Comp		1935-39		1945-49	1	7220	••	T22T	••	7227	••	ムグン	••	エメンロ
	•		•						• •		••		•6	
						1 1 1	L -	Thousand Head	ad -	8 8 8 8				
attle	••	5,713	••	4,729	••	5,026	••	4.678	••	3.575	•	2,980	•	3, 391
ıffalo	••	5,570	••		••	5,119	••	4,915	•	3,887	• ••	3,510	• •	238
vine	••	NA	••	1/ 3,634	• •	5,940	• 0	1,356	•	3,11.8	•	3,500	•	1 N
Lephants	••	11	••	13	• • •	13	• ••	13	• •	<u>ר</u>	• •		• •	
Sheep and goats	••	NA	••	NA	• • •	NA	• ••	NA	• •	NA	• •	MA	• •	Q &
Horses	••	383	••	248	••	197	••	173	•••	171	• ••	79	• ••	135

1/ 1949 only.

Acreage of Principal Crops, average 1935-39, 1945-49, annual 1950-55. THAILAND:

Commodity		Averages	ges		1950		1951		1052		1053		ין אָסר.		1055 1/
	1935-39	6	1935-39 : 1945-49			• ••	1//1	•• ••	7/1	•• ••		•• ••	7724	•• ••	1322 <u> </u>
	••						1,00	l a	cres	8					
Corn	: 19	••	51	••	98	••	103	00	111	00	117	••	011	••	115
Cotton	: 16	••	27 84	••	8	60	77	••	26	••	100	•	100	• ••	(100)
Peanuts	\$ 28	••	2/173	••	170	••	173	••	173	00	178	•	180	• ••	(180)
Rice	: 7,087	••	10,211	••	13,083	**	Щ,174	**	12,677	00	14,562	 	1,500	:1	000
Sesame	··	••	3/21	••	147	00	38	••	775	••		00	(70)		(10)
Tobacco	53	••	2, 83	••	29	••	93	••	106	••	108	••	107	60	136

Preliminary projection. 1949 only. 1947-51 average.

निर्वात

THAILAND: Production of Principal Crops, average 1935-39, 1945-49, annual 1950 to 1955

186	Averages	ges	C L	רייסר	מאַטר.	1000	1,00	1068
Commoatey	: 1935-39 : 1945-49	: 64-5461	:	* +66+	* 764T		* #C/T	- 222
				Metric Tons	ns			
Corn, shelled	5,285	15,550	26,926	1,698 €	162,44	51,540	1,3,182	45,722
Cotton, raw	1,524:	5,661	960°9	960,9	: 196'9	8,491	8,491	(8,500)
Peanuts	2/ 9,929	22,045	63,000	75,904	76,240	78,000	80,772	(81,647)
Rice, milled	2,827,054	3,531,687	4,408,234	4,761,516	4,291,367	5,355,614	3,710,861 5,012,246	5,012,246
Rubber	36,949	469,84	: 00° TIL	3 094,711	100,000	98,500	120,000	(139,000)
Sesame	957	μ,210 :	9,497	7,236	8,903	000.6	\$ 068.6	(10,000)
Sugar, centrifugal	19,051	25,401	31,752	33,566	36,288	36,288	39,916	40,824
Tobacco	: 847,LL	15,967	21,326	41,573	18,518	18,459	: 061,81	23,467

1/ Preliminary projection  $\frac{7}{2}$ / 1939 only  $\frac{3}{4}$ / Milled at 65%.

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## FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

CURRE

FATP 5-56

MAR 2 7 1953

February 9, 1956

#### THE ACRICULTURAD SITUATION IN INDIA

#### Summary

Agricultural production in India during 1954-55, though below 1953-54, was generally satisfactory. Cereals production alone stood at 17 percent above the base year of the first Five Year Plan (1949-50), and significant production increases were also recorded in oilseeds, sugarcane, cotton, mesta fiber, and tea.

The total food supply in 1954-55 was substantially the same as the previous year and the per capita daily consumption of calories is calculated at slightly above the 1953-54 level.

The 1955 summer Monsoon was characterized by unusually heavy rains in September-October and flood devastation, particularly in Northwest and North India, was extensive and severe.

Foreign trade in the principal agricultural commodities rose in value. Such imports and exports in 1954-55 were, on a value basis, 112.5 percent and 139.9 percent, respectively, of the 1953-54 level.

The decline in the agricultural price level was prolonged and severe, especially in cereals. The Government introduced a system of price supports for cereals by purchases at set minimum prices. The price decline precipitated widespread public discussion concerning remedial action.

The general outlook for agricultural production increases is good, but it is not believed that such increases assure the economic well-being of the rural community.

#### Production

One of the principal objectives of the First Five Year Plan (April 1951-March 1956) was the achievement of self-sufficiency in food, especially

cereals, imports of which are normally a heavy drain on the country's foreign exchange. A large measure of success has been realized in achieving this objective. The 1954-55 production of cereals, although down from the previous year, was 17 percent above the base year of the first Five Year Plan, i.e., 1949-50 for cereals. A spectacular spurt in cereals production occurred in 1953-54 due to an unusually favorable crop season.

The total acreage in all crops in 1954-55 was 1.3 million acres below the previous year, but this figure does not do justice to the changes that took place in the acreage devoted to individual crops (Table 1). The drop in bajra acreage was sharp and together with the reduction in rice acreage accounted for the major portion of the reduction in total foodgrains area. The acreage devoted to oilseeds in 1954-55 increased by 1.8 million acres over 1953-54. Sugarcane acreage is going up. This is in line with government policy. The same is true of cotton acreage. The acreage in cotton in 1954-55 rose by more than 1.3 million acres above the 1953-54 level.

Overall crop production in 1954-55 was generally good, but below the level of 1953-54. Cereals production was characterized by a decrease in rice and significant increases in jowar and wheat. Total cereal production in 1954-55 dropped more than 2 million tons below 1953-54.

The 1954-55 season was favorable to the production of oilseeds and except for cottonseed, each of the individual oilseed crops registered a rise in production over 1953-54.

Sugarcane production in 1954-55 increased by 1.1 million tons (in terms of unrefined sugar) over 1953-54. The goal in regard to future production is to attain a production level of 7.7 million tons (in terms of unrefined sugar) by the end of the second Five Year Plan (April 1956-March 1961).

The production of cotton has been and is increasing and the outlook is for further such increases. The second Five Year Plan goal is for the production of 4.7 million bales (480 pounds net) by 1960-61, double the production in 1950-51. (It is hoped to increase per capita availability of cotton cloth to 18-20 yards.) According to official estimates cotton production in 1954-55 was 108.4 percent of the 1953-54 level. It is expected that cotton production, especially of the longer staples will continue to rise. As a result of about 1.5 million acres of new irrigation from the Bhakra-Nangal multi-purpose dam project, it is expected that cotton acreage in the Punjab will expand considerably.

There was not much change in the production of jute during 1954-55. However, it is planned that jute production will increase from the present level of 3.1 million bales (400 pounds net) to 5.4 million bales in 1960-61. Mesta production increased by almost 70 percent over the previous year.

#### Food Consumption

Food availability and consumption per capita has increased rather steadily since 1951-52. Estimates indicate that food consumption in 1954-55 averaged slightly over 2,000 calories per capita per day, compared with 1,950 calories for the previous year. In both years foodgrains alone accounted for close to 1,300 of the total average daily per capita consumption.

There are indications that the Government now feels that the production and consumption of cereals has about reached the optimum per capita level. There is, therefore, a plan to shift the emphasis from cereals to protective foods under the second Five Year Plan. To correct the unbalanced character of the diet it is hoped to provide a larger supply of supplementary and protective foods such as milk, meat, fish, fruits, vegetables, etc.

#### Rainfall

India is heavily dependent upon the rhythm of Monsoon rains for successful crop production. The 1955 summer Monsoon began auspiciously with widespread and generous rains early in July. After a week or ten days of precipitation, however, the rains ceased and for the remainder of July and practically all of August it was dry in all except a few areas such as Assam, eastern Uttar Pradesh and Bihar, where floods came in August. During September and continuing into October, the Monsoon rains resumed in earnest over most of India and severe floods resulted in widely scattered parts of the country. Probably the hardest hit areas were in Punjab, PEPSU and Himachal Pradesh states. This part of India reportedly had its heaviest rainfall in 50 or more years during the first part of October, a time when the Monsoon season in Northern India is normally over. The deluge was heaviest in Northern Punjab (Amritsar, Jullundur, Ludhiana) and the devastation wrought was both extensive and violent. The number of people who lost their lives in the flood was originally estimated at over 1,000. The official estimate was later set at 316 dead, but this is believed to be a conservative figure. Whole villages were washed away and the receding waters left heavy layers of sand over large areas. The standing crop of chili peppers was wiped out and extensive damage was done both to cotton and summer grown cereals. The damage to the quality of Punjab cotton may turn out to be more significant, however, than the reduction in yield.

## Foreign Trade

The value of agricultural commodities imported into India in 1954-55 exceeded those of 1953-54 by about 12.5 percent due to a liberalized import policy. The increase in value was mainly accounted for by larger imports of sugar, and cotton. Imports of food grains declined in quantity but rose in value over 1953-54 (Table 2).

India was a net exporter of agricultural commodities in 1954-55. Such exports exceeded similar imports by the equivalent of \$54,000,000. Tea was again the principal export and even though quantitatively a decline below the 1953-54 level occurred, the value of tea exported in 1954-55 was nearly 44 percent above 1953-54. The export of vegetable oilseeds and oils also increased significantly during 1954-55 (Table 3).

#### Prices

The problem of agricultural prices was ever present in India in 1954-55, during which time rural production and living costs remained unchanged while commodity prices declined. From September 1954 to May 1955 the index number of "manufactures" prices dropped slightly from 377.7 to 374.6, while the price index of "Food Articles" (combined) dropped from 363.6 to 276.1. The drop in the prices of the "Cereals" group was even more precipitous, occasioned largely by the drop in wheat prices at harvesting time in April-May, 1955.

The problem of agricultural prices has been much discussed both in government, legislative, and commercial circles. It has also been under investigation by an official Price Inquiry Committee. The Government has introduced a system of price support which will be implemented by State purchases for the Central Government's account of foodgrains at minimum set prices.

## Policy

A debate on agricultural policy highlighted the Monsoon session of the Indian Parliament during the last week of September 1955. The discussion had been advertised as one on "economic policy," but in accordance with a convention evolved in December 1954, when the debate on the Government's economic policy was conducted exclusively in the context of industrial development, the pertinent committee of Parliament stipulated that the debate in this session should be focused on agricultural policy. This decision to narrow the field of discussion was perhaps fortunate in some ways and unfortunate in others. From the viewpoint of the Congress Party it had the advantage of focusing the attention of Parliament to that aspect of the Government's policy which appears to have achieved a relatively large degree of material success and public support.

In presenting the Government's case, Mr. A. P. Jain, India's Minister for Food and Agriculture, stated that the three broad objectives of the Government's agricultural policy aimed at (1) raising further the index of agricultural production (2) increasing per capita food consumption to 2,250 calories and (3) increasing the availability of cotton cloth from 15 yards to at least 18 yards per capita. As an overall objective they hoped to diversify the Indian diet--to include more protective foods such as milk, fruits, fish and eggs, Mr. Jain said.

The Government conceded that to realize the above objectives three things were essential (1) maintenance of agricultural prices at a reasonable level (2) provision of marketing, credit and warehousing facilities and (3) reform of land systems, including reorganization of agriculture both as a measure of social justice and as an incentive to greater efficiency.

## Outlook

There appears to be a general optimism regarding future agricultural production in India. It is felt that quite apart from the successes already attained in the way of production increases, a solid base has been established as a result of which, providing proper incentives can be maintained, the prospect of continued progress may be viewed with confidence. It is accepted, of course, that a capricious Monsoon may deal an occasional body-blow to the best laid Five Year Plan. On the other hand, it is hoped that such blows may be compensated for by years of exceptionally favorable natural conditions when agricultural production will attain levels above and beyond those readily attributable purely to human plans and efforts.

Increases in production, even though sustained, will not, unfortunately, assure the economic well-being of the rural community. The Indian rural community is so large in relation to the total population that probably 90 percent of the food crops produced is consumed in the area where grown. This fact, together with the fact of limited land resources, adds up to a situation in which the agriculture of large areas is on little more than a subsistence basis. The basis of rural poverty lies essentially in the lack of non-agricultural employment opportunities. The plight of the landless agricultural laborer is eloquent proof of this. These hundred million souls (including families) find gainful employment on the land for only a part of the year. They could, in large measure, be eliminated from the rural scene without significantly lowering the level of agricultural production. Their rapid absorption into gainful non-farm occupations would provide them with a purchasing power that would stimulate demand both for agricultural and industrial commodities.

As it is the landless agricultural laborers constitute the hard core of the Indian economic problem. None of the plans or programs so far formulated give promise of significantly improving the lot of these people, and it is doubtful that the mass of rural people can substantially improve their standard of living until some means are found by which the landless laborers can participate more fully in the fruits of increased production.

Table 1 - India: Estimated crop acreage and production, 1953-54 and 1954-55

Commodity	Acreag	CONTRACTOR AND ADDRESS OF THE PARTY OF THE P		ection 1/
O o district Constitution of the constitution		: 1954-55	1953-54	: 1954-55
Poodgrains		Acres	-	etric Tons 2/-
Jowar	: 43,657	43,456	8,040	9,238
Bajra	: 30,094	27,350	4,531	3,612
Corn	: 9,360	9,325	3,011	2,991
Ragi	: 5,714	5,747	1,848	1,806
Small millets	: 13,979	13,680	3/2,466	2,463
Rice	: 77,032	75,000	3/28,548 7,000	25,678
Wheat	: 26,310	26,842	7,999	2 / 8,636
Barley	: 8,720	8,000	2,951	2,830
Total foodgrains (excl.pulses)	: 214,866	209,400	59,394	57,254
Fram (Chickpeas)	: 19,754	20,991	4,852	5,207
Pulses (other than gram)	: 33,961	33,013	5,774	5,435
Total pulses	: 53,715	54,004	10,626	10,642
Cotal foodgrains	: 268,581	263,404	70,020	67,896
Dilseeds Edible Peanuts Rape and mustard Sesame Cottonseed Inedible	10,869 5,534 6,346	12,647 5,665 6,460	4/3,630 869 561 3/2,159	14/3,884 978 602 3/2,134
Flaxseed Castorseed	5/3,360 5/1,373	5/3,290 5/1,273	<u>5</u> / 380	5/ 394 114
otal oilseeds	27,482	29,335	7,709	8,106
Special crops Sugarcane Tobacco Potatoes Black pepper Dry ginger Dry chillies Jute 7/ Mesta	: 3,498 : 912 : 648 : 208 : 45 : 1,326 : 1,196 : 468	3,932 860 654 208 44 1,472 1,273 571	6/4,536 272 1,997 24 14 302 568 119	6/5,635 252 1,971 26 13 362 572 201
	: : 17,027	18,350	1,000 Ba	les <u>8/</u> <u>3</u> 74,400
Cotton				
•	: 25,328	27,364		

l/ Preliminary. 2/ Metric tons of 2204.6 pounds. 3/ Foreign Agricultural Service estimate. 4/ Nuts in the shell. 5/ Incomplete, does not include castor interplanted with other crops. Total production may be roughly double the amount shown. 6/ In terms of unrefined sugar-gur. 7/ Acreage and production figures relate to calendar years 1953 and 1954 instead of agricultural years 1953-54 and 1954-55.
8 / Cotton bales of 480 pounds, net. Source: Ministry of Food and Agriculture, Government of India except where noted.

Table 2 - India: Imports of Principal Agricultural Commodities, by weight, years ended March 31, 1953-54 and 1954-55.

Commodities	Quantity
OCHANO CLOSOS	1953-54 : 1954-55
Foodgrains " (Misc.) Sugar Vegetable oils, edible Tree nuts Fruits, dried Fruits, fresh Vegetables Spices Condensed or evaporated milk " " (skimmed) Dried whole milk Dried skim milk Fish " (from Pakistan) Cotton (raw) Jute (raw) Wool (raw)	Thousand metric tons 1/ 1,459

<sup>1/</sup> Metric tons of 2204.6 pounds 2/ Not reported.

Source: "Accounts Relating to the Foreign (Sea, Air and Land) Trade and Navigation of India for March, 1955", published by the Ministry of Commerce and Industry, Government of India.

Table 3 - India: Exports of Principal Agricultural Commodities, by weight, years ended March 31, 1953-54 and 1954-55.

Commodities	:	Q:	uantity		
	:	1953-54	:	1954-55	
Foodgrains Sugar Vegetable oils, edible Oilseeds, edible Cashew kernels Fresh fruits Fresh vegetables Fruits & vegetables (dried) Fruits & vegetables (fresh & dried) by land trade Fruits & vegetables (re-exports) Fish Spices Tea Coffee Salt Cotton (raw) Jute (raw) Wool (raw) (re-exports)		Thousand  1 2 18 27 2/ 25 11 2/ 28 28 213 3 324 36 - 9 2	metric	tons 1/ 1/3 5 94 29 31 2/ 2/ 2/ 2/ 2/ 207 9 173 30 - 114 2	

<sup>1/</sup> Metric tons of 2204.6 pounds. 2/ Not reported.

<sup>&</sup>quot;Accounts Relating to the Foreign (Sea, Air and Land) Source: Trade and Navigation of India for March, 1955", published by the Ministry of Commerce and Industry, Government of India.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 6-56

MAR

February 17, 1956

THE AGRICULTURAL SITUATION IN MALAYA, 1955

## Introduction

Malaya is a predominantly agricultural country in South East Asia consisting of the Federation of Malaya (including Penang), Singapore, and a few smaller islands. The economy of the country depends largely on the exports of rubber and tin, and when prices and sales of these products are high (as they have been in the past year) economic conditions are at high levels. The population in 1955 was estimated at almost 7.3 million, with one-sixth of this total being in Singapore, which is the principal port of the country, furnishing an outlet for much of the raw materials produced in the country, as well as carrying on an important re-export trade in the area.

The agriculture of Malaya is dominated by export crops including rubber, coconut, oil palm, pineapples, sago and tapioca. Rubber occupies two-thirds of the cultivated area and accounts for more than half of the foreign exchange earnings. Other export crops occupy 10 to 12 percent of the land in cultivation, while food crops account for about 20 percent of the total. Rice is the principal food crop, although production supplies less than half of domestic use. Fruits, vegetables, and root crops are the other important food crops grown.

Food production in 1955 was slightly above the 1954 output as conditions have become more stabilized in the new villages formed as a result of the resettlement by the Malayan Government of 600,000 squatters and farm families in 1950-53 from outlying areas to locations where they could be supervised and protected from the Communist terrorists. However, food production was below expectations in both 1954 and 1955 as weather conditions, characterized by uneven and insufficient rainfall in some areas and severe flooding in other regions, reduced yields of rice and other food crops.

#### Rubber

Output of crude rubber in the first 8 months of 1955 was running more than 10 percent above the 1954 level and production for the year is expected to total about 630,000 metric tons as compared with 593,000 tons in 1954. The price of rubber, after dropping to less than 60 Malayan cents (\$ .20 US) per pound early in 1954 rose to a peak of M \$1.53 (\$ .50 US) in August 1955. Prices dropped about one-fourth from that level in the latter part of the year but still remain at very profitable levels.

The Government is collecting an anti-inflation tax on all rubber exports which is to be used to subsidize the replanting of rubber. High yielding varieties of rubber have been developed and it is estimated that about one-third of the approximately 2 million acres of rubber grown on estates has been replanted with high yielding trees. Replanting on small holdings, which produce about 40 percent of the total rubber crop, has not advanced as rapidly, however, and the Government rubber replanting scheme which is soon to become effective calls for a Malayan\$600 (\$200 US) per acre subsidy on all replanted rubber. The program aims at replanting 500,000 acres of small-holder's rubber by 1959.

#### Rice

The Malayan Government has carried out an extensive program to increase the production of rice, which is the staple food of 90 percent of the population. The 1955 harvested acreage was up slightly from the 1954 level but output of milled rice at 418,600 metric tons was about the same as a year earlier. Yields were reduced by unfavorable weather and a part of the planted acreage was destroyed by flooding.

As a result of the Government's research and development program higher yielding varieties of rice are available and efforts are being made to encourage rice growers to use improved practices and to expand acreage in an attempt to become more nearly self-sufficient in rice production. While some increase in yields and harvested acreage is expected in the next few years, it seems doubtful that Malaya will be able to produce more than 50 to 60 percent of her rice requirements, particularly in view of a population increase of about 3 percent per year.

## Coconut and Oil Palm

Coconut and oil palms are the third major crop in Malaya after rubber and rice. Both are grown in Malaya principally for oil production for export, although coconuts are used locally in a variety of ways for food and for production of crude oil for use in cooking and soap making. Domestic use of copra equivalent is estimated at around 40,000 metric tons per year, while per capita consumption of vegetable oils for food is placed at about 20 pounds annually,

Coconuts are grown on about one-half million acres in Malaya and 1955 copra production (including home use) is estimated at 193,000 metric tons as compared with 207,000 tons in 1954. Almost all the decline was accounted for by small-holders production which is about 75 percent of the total. The drop in production was attributed to the high level of activity in the rubber industry, which is believed to have caused small-holders to place less emphasis on copra production. Very little increase is expected in copra output in the next several years as oil palms have proven to be more profitable on estates, while on small-holdings many of the plantings are so old that yields are declining. A research program aimed at developing improved varieties and better cultural practices has been started by the Government.

Output of palm oil, produced almost entirely on estates because of the large investment required for processing equipment, is estimated at 58,000 metric tons in 1955 as compared with 55,000 tons in 1954. Palm kernel production is placed at slightly more than 15,000 tons in 1955 and at 14,700 tons in 1954. The 1955 palm oil crop was somewhat disappointing but output is expected to increase more rapidly in the next few years, as much of the 110,000 acres under oil palms have not yet reached full production and planting is expected to increase further.

### Tapioca and Sago

Tapioca is a root crop, sometimes known as cassava, which is grown in nearly every village and farm homestead. The roots are used in a variety of ways for food, as well as for pig feed, and are produced for sale to the numerous small commercial starch factories. Sago flour and pearl is produced from the trunk of the sago palm, which grows throughout the country. Sago and tapioca starch are quite similar and most exports are shipped as sago starch since tapioca is subject to an export duty. Total production of these two crops in terms of starch equivalent in 1954 was about 80,000 metric tons, while in 1955 output of tapioca was believed to have increased slightly.

## Fruits and Vegetables

Malaya produces a wide variety of fruits and vegetables, principally for home use. Almost every village and rural homestead is surrounded by several fruit trees and vegetable gardens, and these crops made up an important part of the Malayan diet. Per capita fruit consumption in 1954 is estimated at 145 pounds. About 60 percent of domestic fruit consumption is bananas.

The only fruit produced commercially for export is pineapple. The pineapple industry was virtually destroyed during World War II, but under the supervision of the Government, production has been increasing and the expansion is expected to continue. Pineapple acreage in 1954 totaled 28,000 acres and commercial cannings of pineapple exceeded 1 million cases. Cannings in the first 8 months of 1955 ran about 14 percent above the 1954 level. A program to improve and standardize the quality, labeling, and packing of canned pineapple has been put into effect by the Government to enable the Malayan product to compete more effectively in world markets. Malaya has more than 1 million acres of good, well-located peat soils which are particularly suited to pineapple production and output is expected to increase.

The most important vegetable crops grown in Malaya are sweet potatoes and yams, but many other varieties of vegetables are also produced. Vegetable crop production increased considerably in 1954 and, with more stable conditions in the new villages, production again increased in 1955.

## Miscellaneous Crops

A number of other crops important in world trade are also produced in Malaya. Production of tea in 1954 was about 2,100 metric tons, some 1,500 tons below domestic consumption. Coffee production is nearly sufficient to meet local demand and the type grown has very little export possibilities. Tobacco output in 1954 was placed at 3.2 million pounds from about 4,500 acres. Production is well below domestic use and still below prewar. Arecanuts and sireh, commonly known as betel nuts and betel vine, are grown in Malaya, both for local use and for export.

## Livestock

The livestock industry in Malaya is closely associated with the various nationality groups. Oxen and buffaloes are used as draft animals for rice production, while in the vicinity of large cities, cattle and buffaloes are kept by the Indians principally for milk production. Pigs are raised by the Chinese and pork is eaten only by Chinese and Europeans. Hindus will not eat beef but all sects eat poultry and fish.

Per capita consumption of meat (excluding fish) is estimated at 27 pounds annually, of which pork makes up about 65 per cent. Pig production, which was sharply curtailed during the war and declined again as the result of the emergency, has been increasing in the past two or three years and numbers are expected to climb to prewar levels. Slaughter in 1954 exceeded 1 million head and pork production was placed at about 48,000 tons. In the first 8 months of 1955 numbers slaughtered were running about 10 percent higher than in 1954. Cattle and buffalo numbers have been increasing and have now reached prewar levels. The 1954 livestock census in Malaya placed cattle numbers at 278,400 and buffalo at 236,800. About 85,000 cattle are believed to be milk cows, while about 5,000 buffaloes are milked, production per animal is low and most of the dairy products used are imported.

It is estimated that 52,700 cattle and 34,400 buffalo were slaughtered in 1954 with total beef production amounting to 10,800 metric tons. Cattle are seldom if ever fed but depend entirely on grass the year around. However, there are no natural pastures and good pastures are very difficult to establish and maintain.

Goats are kept throughout Malaya, principally for mutton, and numbers are increasing. There were 271,700 goats in 1954 according to the census, while the number slaughtered was placed at 82,200. Sheep numbers in 1954 were only 27,000 head. Almost all the 89,075 sheep slaughtered were imported.

Poultry production continues to expand, largely due to the Veterinary Department's successful vaccination program against Newcastle's disease. Many commercial poultry farms are being established, particularly in Singapore and near large cities in the Federation, although in rural Malaya poultry raising is still predominantly for home use. Poultry numbers have been estimated at 8 million chickens in Singapore and 12 million in the Federation. Egg production in Singapore has been estimated at 200 million eggs and at 100 million in the Federation.

Fish culture in rural areas of Malaya is becoming increasingly important and fish are eaten by all races. Per capita consumption is placed at 65 pounds annually. While considerable quantities of fish are produced in ponds, irrigation canals and padi fields, most of the 188,000 metric tons of fish consumed in 1954 came from commercial landings of sea fish. Landings in 1954 were reported at 118,000 tons. This was below normal as a result of unfavorable weather conditions in 1954 and the total in 1955 is expected to be nearer 132,000 tons.

### Foreign Trade in Agricultural Commodities

Malaya's agriculture is directed largely toward the production of commercial crops for export. As a result of this specialization in export crops, Malaya imports approximately 40 percent of her food requirements. Singapore has for many years also been a collecting and reshipping point for many of the export crops produced in other countries of South East Asia. The most important of these crops are copra, tea, spices and crude rubber. In the past year this re-export trade, particularly in copra, has fallen off to some extent as Indonesia has attempted to ship directly to consuming countries and collect some of the profits taken by the shippers in Singapore. However, agreements with Indonesia have resulted in a partial resumption of this trade.

Rubber exports in 1954 totaled 930,000 metric tons and accounted for a large share of the value of agricultural exports. Shipments in the first 9 months of 1955 have been running 10 percent higher than in the same period of 1954. While, owing to higher prices, total value of rubber exports have been running more than 80 percent above the 1954 level. More than one-third of the rubber exports from Malaya are accounted for by re-exports of rubber imported principally from Sumatra and other nearby islands of Indonesia. A part of this rubber is remilled in Singapore before reshipment. The principal export markets for rubber are the United States, United Kingdom and countries in Western Europe.

Malayan exports of copra are declining as facilities for extracting coconut oil have been expanded, particularly in the Federation. As a result, Singapore oil millers have attempted to increase imports of copra from Indonesia. It is reported that Indonesia has entered into an agreement to permit copra exports to Malaya with the stipulation that the copra will be milled and not re-exported.

Malaya is now the world's third largest exporter of coconut oil and in 1954 shipped 80,500 metric tons. Shipments in 1955 are expected to be slightly higher. Palm oil exports in 1955 are expected to increase slightly from the 50,100 metric tons shipped in 1954.

Malaya's canned pineapple exports in 1955, based on data for the first 9 months, are expected to exceed 30,000 tons as compared with 1954 shipments of 21,900 tons.

Imports of food products are largely items that cannot be produced economically in Malaya. The major food imported is rice which comes principally from Thailand and Burma. Large carry-over stocks of imported rice at the beginning of 1954 caused 1954 imports of milled rice to fall to 321,100 metric tons, which is considerably below normal. Imports in the January--September period of 1955 totaled 384,500 tons and at this rate will exceed 500,000 tons for the year. Other important food imports in 1954 were wheat flour--126,600 metric tons, sweetned condensed milk--2.6 million cases, sugar--162,300 tons, fresh fruits--45,000 tons, and fresh and dried vegetables--41,800 tons. Imports are expected to be higher in 1955, as incomes and living standards are up and diets are improving.

Singapore is an important market for pepper from nearby islands. Trade has been increasing since the war but has not regained the prewar volume. Significant quantities of coffee and tea are imported for re-export. About 85 percent of the cigarettes and 25 percent of the other manufactured tobacco (except cigars) consumed in the country are imported.

## Outlook

Malayan agriculture is expected to continue the trend toward increased production of commercial crops. Rubber is expected to dominate the agricultural picture for many years and increased emphasis is being placed on a replanting program, using high yielding varieties and improved cultural practices. Because of the vulnerability of the economy to fluctuations in rubber prices, increased attention is being given to diversification in agriculture. Much research and effort is being devoted to alternative cash crops and the most promising of these appear to be oil palms, pineapples, and cocoa. After several years of experimental work and planning the Government launched a cocoa planting scheme in 1955. It is estimated that 300,000 acres can be made available for cocoa. However, it seems unlikely that Malayan cocoa will be a factor in world markets for 10 to 20 years.

Malayan oil mills are expected to process an increasing proportion of domestic copra production and ship large quantities of coconut and palm oils to world markets.

Efforts to substantially increase domestic rice production are not expected to be entirely successful, particularly so long as rubber prices remain high. Some increase in acreage and higher yields per acre should result in a significant increase in output, although it is anticipated that imports of at least 40 percent of domestic consumption will continue.

Malaya: Acreage and production of crops, 1954 and 1955-

	Acı	Acreage	•	Pr	Production
0 T O D O	1954	1955		1954	1955
	1,000	1,000 acres	• ••	1,000 I	1,000 metric tons
Rubber	3,750	3,750	•• •	593.8	630.0
Rice (milled)	846	866	••	416.6 2/	1.8 9.811
Coconut (copra)	506	500	••	207.3 =	193.1 4
Palm oil	: 110	110	••	54.9	57.9
Palm kernels	į	8	••	14.7	72.2
Pineapple	28	32	••	99.4	111.8
Bananas	. 56	58	••	286.4	290.0
Other fruits	: 106	108	••	101,-2	105.7
Tapioca (flake, flour and pearl)	ਮੁ	ယ္ယ	••	37.6	40.6
Sago (flour and pearl)	: 7	7	••	42.7	42.7
Sweet potatoes	: 19	22	••	88.1	97.5
Other food crops	: 74	76	••	306.4	315.0
Spices	. 56	56	••	22.5	22.4
Miscellaneous crops	: 69	70	••	اس	13/
	••				

Source: Government of Malaya and Foreign Agricultural Service estimates.

こるるて Preliminary.
Includes estimates for home use not reported in commercial production.
Not available.

Imports and exports (including reexports) of selected agricultural commodities, 1953, 1954, and January-September 1955.

Commodity	٠.٠	1953	••	1954	556 <b>T</b>	1955 (JanSept.)
ę	Imports	: Exports	: Imports	: Exports	: Imports	: Exports
	••		1,000 metric	metric tons		
フェトトンコ	ນ ນ ນ ນ	860 8	31.0 7	2000	077 0	2 6 7 6
nubber	2).6 1.			1.0 1.	22]. R	300
	70 0	- 1 - 0 - 1	12] 7	0 t	200	) w
Coconut oil	6.1	62.1	7	80.5	УП. (	66.8
Palm oil	. 8	49.2	•	50.1	 	41.2
Canned pineapple	: 1/	17.7	: ! !	21.9		23
Sago flour and pearl	: 24.1	59.0	: 17.6	51.4	: 2/ 7.9	2/ 27.7
Wheat flour	131.5	7.5	<b>126.6</b>	10.3	: 107.1	8
Sugar	: 146.8	6.1	162.3	14.3	: 152.9	ω ພ
Milk, condensed and	· 43.3	3.9	: 42.6	2.0	36.5	1.6
sweetened $\frac{3}{}$	••		••		••	
Fresh fruits	: 47.0	5.1.	. 45.0	J.9	37.5	w w
Vegetables, fresh,	••		••		••	
dried and preserved	15.1	6.4	: 41.8	ω ພ	: 32.6	2.9
Pepper	8.8	8.9	16.4	17.9	: 18.2	75.5
Coffee	. 7.9	ω &	· 17.1	17.3	·	•
Tea	<b>.</b> 3.8	2.2	: 11.1	9.3	: 2/ 7.7	2/ 5.5
	•		•		,	

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Less than 0.5 ton.

January-August 1955.

Converted from cases at the rate of 36 pounds per case.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

CURPE T SECOND PRODUCTIONS

MAR 2 7 1953

U. S. DEPARTMENT OF AURICULTURE

FATP 7-56

February 17, 1956

THE AGRICULTURAL SITUATION IN JAPAN, 1955

### Summary

Blessed with unusually favorable weather, agricultural production in Japan reached an all-time high in 1955, topping production in 1954 by 13 percent. Production of grains, which constitute 70 percent of all crop production, aggregated 16.1 million metric tons—an increase of 2.6 million tons over 1954. Marked increases were obtained in the production of rice, soybeans and other pulses, rapeseed, vegetables, and tobacco. Substantial increases were achieved in the production of white potatoes and sweet potatoes. Production of wheat and barley fell slightly below 1954 levels.

Prices for agricultural products in general have declined since 1954. Although the official Government rice price was raised this year, black market prices have declined sharply in the face of record production. Despite the bumper crops of 1955, imports of food grains are planned at continued high levels through the Japanese fiscal year ending March 31, 1956.

## Supply and Distribution

Grains. Production of brown rice in 1955 is officially estimated by the Ministry of Agriculture and Forestry at 11,855,000 metric tons or 12 percent above the previous high in 1933. It is 2,742,000 tons (30 percent) above the 1954 crop. This is equivalent to 2,577,000 tons of milled rice, which is more than 2.5 times Japan's annual imports of rice in recent years. Nevertheless, continued heavy imports during the current fiscal year are planned. Purchases for the first half of the fiscal year exceeded by more than 10 percent the amount planned in the import budget for that period, and the budget for the second half has been revised upward by 117,000 tons.

With the prospect for a bumper rice crop, talk of rice decontrol was revived. An increase in Government stockpiles and decline in black market prices are considered requisite for elimination of controls. According to latest reports, however, the rationing system is to continue at least through this year. Some relaxation is indicated in present plans which appear to limit rationing to domestic rice and imported short grain rice and to put imported long grain rice on open sale.

The Government rice collection was changed from a compulsory to a voluntary delivery system for 1955. Under this new system the farmers conclude pre-harvest sales contracts with the Government and receive an advance payment amounting to about one-fifth of the full price as well as a small bonus.

The final estimate for production of wheat, barley, and naked barley in 1955 is 3,876,000 tons—second only to the record crop of 4,099,000 tons in 1954. Production of minor grains totaled 414,000 tons or 22 percent above the previous year. During the first 9 months of 1955 Japan imported 1,791,547 metric tons of wheat, about 55,000 tons more than during the corresponding period of 1954. And for the second half of the Japanese Fiscal year (October 1955-March 1956), imports of 1,070,000 tons are planned compared to 908,000 tons planned for the corresponding period in the previous budget. The decline in the black market price of rice has caused a slight decrease in the demand for wheat flour.

Total imports of barley during January-September 1955 declined 37 percent from the previous corresponding period, but imports from the United States increased from 130,861 tons to 185,581 tons.

According to preliminary estimates, the planted acreage for the 1956 crops of wheat, barley, and naked barley in Japan is expected to be about the same as in 1955.

Beans and Peas. Production of beans and peas in 1955 amounted to 342,030 metric tons or 65 percent above the previous year. Net imports for the marketing year July 1954-June 1955 amounted to 128,397 metric tons. Only 3,355 tons were imported from the United States compared to 59,456 tons from Burma and 41,856 tons from Communist China.

Cilseeds. Production of soybeans increased to 495,420 tons in 1955 compared to 376,010 tons in 1954. Japanese soybeans are used largely as food, whereas imported beans, especially those from the United States, are more suitable for crushing for oil. Total soybean imports have increased steadily, reaching 508,000 tons in 1954 and 630,000 tons in the first 9 months of 1955. A large share of the increase in imports is accounted for by expanded purchases from Communist China.

Rapeseed is a major oil crop of Japan. Production is estimated at 267,000 tons in 1955, an increase of 21 percent over 1954 but somewhat less than in 1953. Imports are negligible. Peanut production is estimated at about the same level as in 1954.

Root Crops. Preliminary estimates for production of root crops in 1955 show a substantial increase over 1954 because of more favorable weather conditions. Both white potatoes and sweet potatoes are used in substantial quantities in making starch, and starch prices are supported by the Government. Sweet potatoes are also used for feed as well as in the manufacture of alcohol.

Fruits and Vegetables. The 1955 crop of vegetables was estimated to be 20 to 30 percent larger than that of the previous year, and prices fell sharply. The production of fruits, on the other hand, is reported to be substantially below the 1954 output, mainly because of low production of apples and mandarin oranges. Output of pears, peaches, persimmons, and grapes increased slightly. About 10,000 tons of fresh mandarin oranges are exported primarily to Canada. Canned mandarin oranges are exported in even larger quantities, and the United Kingdom is the principal market.

Other Crops. Production of tea in 1955 is expected to reach about 75,000 tons, or 10 percent above the previous year. Production of leaf tobacco in 1955 is estimated at 147,358 metric tons, an increase of 31 percent over 1954. Japan's purchases of United States leaf tobacco are being somewhat curtailed because of reported heavy stocks on hand.

As a major world producer of textiles, Japan is a heavy importer of raw cotton since none is produced domestically. Because of over-capacity and other difficulties in the industry as well as problems in export markets, production of cotton textiles was curtailed throughout 1955 and cotton imports were about 10 percent below the level of 1954. Imports of United States cotton declined even more sharply because of the substantial price differential between United States and Mexican cotton. The Japanese policy of promoting a shift from cotton to synthetics is not encouraging for the cotton trade.

Dairy Products. Since World War II the number of dairy cattle in Japan has more than doubled. Nevertheless, on a per capita basis the number of dairy cattle and the production of dairy products are exceedingly low. Various interests in Japan are attempting to promote the consumption of dairy products, but the market is restricted by the low income levels of the people.

## Outlook

Japanese tariffs on basic agricultural commodities are generally low, and for several years the tariffs on such items as wheat, barley, rice, and soybeans have been suspended. Control over imports has been achieved by the budgeting of foreign exchange. Exchange restrictions were relaxed slightly during 1955 by giving importers a somewhat greater choice of sources in making foreign purchases. Foreign exchange holdings increased steadily during the year, reflecting the export boom. Despite the bumper crops of 1955, continued heavy food imports are planned by the Government through the present fiscal year, and probably will be continued into the new fiscal year beginning April 1. Increasing price consciousness is an important element in the Japanese market. United States farm products should find ready outlets in Japan if offered at competitive prices.

Japan: Acreage and Production of Principal Agricultural Crops, 1954 and 1955 1/

	: Planted	area	Produ	ction
	: 1954 :	1955	1954 :	1955
	: (1,000	acres)	: (1,000 me	tric tons)
Rice (brown) Wheat Barley Naked barley Soybeans	7,539 : 1,660 : 1,103 : 1,403 : 952	1,071 1,389 1,062	9,113 1,516 1,261 1,322 376	11,855 1,468 1,148 1,260 495
Beans and peas Rapeseed White potatoes Sweet potatoes Vegetables Tobacco Tea	: 638 : 431 : 515 : 876 : 1,080 : 172 : 87	513	6,823 113	342 270 2,884 6,260 n.a. 147
104	: 01			

<sup>1/</sup> Official estimates of the Ministry of Agriculture and Forestry.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 8-56

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March 1, 1956

THE AGRICULTURAL SITUATION IN INDONESIA, 1955

The agricultural economy of Indonesia is making a gradual recovery since World War II in many of its sectors. The Ministry of Agriculture in 1951 initiated plans to improve agricultural conditions in the Republic through research, agricultural extension work, and increased emphasis on agricultural education. In 1954, a 5-year plan of agricultural development in Indonesia was formulated. The plan calls for increased output of practically all important food and commercial crops, as well as for livestock enterprises. The plan also places renewed emphasis on research and improvement of the social, economic, and educational level of the people.

The agriculture of Indonesia is characterized by large-scale production of export crops on scientifically managed European plantations or estates on the one hand, and by small-scale farming carried on by the native population on the other. Smallholders' cultivation is for the most part organized on a simple subsistence basis and accounts for almost all the food crop production. However, these producers are becoming increasingly important in commercial crop production, particularly in the case of rubber and copra. Since the formation of the Government of Indonesia an increasing share of the estate lands have been taken over by smallholders. The Government has not been able to halt this invasion, and estates' production of most crops is declining.

The population of Indonesia is estimated at 82.3 million, and is increasing at the rate of 1.5 percent annually. About 70 percent of the people make their living by farming. Dietary standards are low. It is estimated that protein requirements for reasonable health standards are very deficient, and present food protein production is only 40 percent of minimum needs. Much emphasis is to be placed by the 5-year plan on the production of livestock and protein crops, and on inland and sea fisheries. Increased production in these fields will come slowly due to the lack of technical know-how, investment capital, and a dearth of men and women trained in the science of agriculture.

#### Food Production

Food production in Indonesia in 1955 showed a decline from the 1954 level as adverse weather conditions reduced yields of the three most important food crops--rice, corn, and cassava.

The 1955 production of rice, the principal food crop in Indonesia, is estimated at 7,350,000 metric tons-about three percent below the 1954 crop of 7,561,000 tons and considerably below the output expected for the year. Corn production in 1955 is estimated at 2,286,000 metric tons, as compared with 2,489,000 tons in 1954. The 1955 cassava harvest is also reported to be below the 1954 output of 8.5 million tons, as a result of the rains and flooding.

Production of centrifugal sugar in 1955 is estimated at 850,000 tons, an increase of 18.5 percent as compared with the previous year. Annual sugar consumption is estimated at 600,000 tons and is increasing. The surplus production is exported, principally to Japan.

Output of soybeans in 1955 is estimated at 400,000 tons, slightly above the 1954 level, while production of peanuts (unshelled) is about equal to the 1954 crop of 410,000 tons.

Other important items in the Indonesian diet include numerous fruit and vegetable crops grown around the village and rural homesteads, almost entirely for domestic consumption. The banana is the most prevalent fruit grown.

Coconuts are extensively grown for home use and for the domestic market, as well as for exports of copra. Total production of copra equivalent in 1955 is estimated at approximately one million metric tons. Officially reported exports are expected to account for less than one-fourth of this total.

Production of meat and livestock products is relatively small. Domestic meat consumption is estimated at 350,000 metric tons, and consumption of eggs is placed at 175,000 tons. Consumption of fish is estimated at approximately 630,000 tons annually.

## Commercial Crops

Indonesia is the world's leading rubber producer, having surpassed Malaya in recent years. Rubber production began on estate lands but later spread to smallholdings. At the present time more than 60 percent of the rubber crop is harvested by smallholders, although a part of this comes from land planted under estate management but now occupied by natives. Yields obtained by smallholders are low because of aging of the trees and failure to use good cultural practices. Further decline in yields is expected. Tapping is practiced only when prices are high or when cash is needed. Most estates are reluctant to engage in extensive replanting programs in the absence of firm commitments by the Government to extend guarantees for continued operation, including renewal of land leases and protection against occupation by squatters.

Output of crude rubber in 1955 is estimated at 710,000 metric tons as compared with 750,000 tons the previous year. Exports in 1954 were reported at 746,136 tons. In the first 9 months of 1955 exports totaled almost 508,000 tons and were running about 7.5 less than in 1954. Rubber exports are probably underreported because a part of the crop produced in Sumatra,

and other smaller islands, moves in small boats to nearby Singapore and Penang and may not be included in export data.

Copra purchases by the Copra Foundation at Djakarta are estimated at 350,000 tons in 1955 as compared with 402,000 tons in 1954. Exports in 1955 are estimated at 225,000 tons, about one-fourth less than in 1954. As in the case of rubber, large quantities are shipped illegally to Malayan ports and may not be fully reported.

Oil palms are grown almost exclusively on estates. Production of palm oil is expected to total 171,000 tons in 1955, slightly higher than in 1954. Exports through August of 1955 were about 24 percent below the 1954 level, when imports for the year totaled 140,000 tons. Palm kernel production and export in 1955 is expected to slightly exceed the 1954 figures.

Tobacco production in 1955 declined sharply from the 1954 level as a result of extremely unfavorable weather conditions, particularly in Java. Estimates place the 1955 crop at 31,000 metric tons as compared with 65,000 tons in 1954. Production of high quality cigar wrapper leaf for export, even in 1954, was below prewar levels, as an increasing proportion of the acreage is flue-cured type tobacco for domestic consumption.

Coffee production in 1955 is estimated at 19 percent larger than in 1954 and output is expected to continue to increase for a time as a result of new plantings during the past three or four years. However, the demand for the Robusta coffee produced in Indonesia is limited in most importing countries, and exports have declined sharply since the decrease in world coffee prices.

Tea is an estate crop which has been making a comeback since the war. The 1955 output is estimated at about the same as the 46,900 metric tons produced in 1954. However, exports in the first six months of the year were more than one-third below the 1954 level.

Cinchona bark production and export increased in 1955 but output is still less than 20 percent of the 1951 level. With the increased use of synthetic quinine substitutes, this crop is not likely to approach its former importance.

Production of spices, particularly pepper, nutmeg and cloves, has increased considerably in the past few years, although it is still less than one-half the prewar level.

## Food Imports

The most important food imports in recent years have been rice, wheat flour, dairy products, and fish. Rice imports in 1954 totaled 258,800 metric tons, most of which came from Burma and Thailand. Imports in 1955 declined sharply, and in the first nine months totaled only 21,146 tons. In the last quarter of the year rice was in very short supply and many areas were in dire need of food.

In October the Government announced that it was buying 200,000 metric tons of rice from Burma and Thailand, with deliveries to begin in December and to be completed by March 1956. Later 50,000 tons were purchased from Italy. The food shortage, which is most acute in central Java, will probably continue until the new crop of rice is harvested. However, reports early in 1956 indicate that rains and flooding have damaged thousands of acres of newly planted rice, as was the case in January 1955. It now appears that the Government of Indonesia will need to import from 300,000 to 500,000 tons of rice in 1956 in addition to that already contracted for with Burma and Thailand. Imports of wheat flour, mostly from Australia, totaled 108,400 tons in 1954. Imports of dairy products, principally canned condensed milk, totaled 20,000 tons, while imports of dried and salt fish were 37,000 tons. Data for 1955 are not available.

#### Outlook

Food production in Indonesia is expected to increase in the next few years as the Government's program to promote the use of more fertilizer, improved seed, better irrigation facilities and generally improved cultural practices among the rural people is put into effect. Rice acreage will be expanded and yields should increase. However, there may be relatively little improvement in 1956 as compared with 1955, since recent reports indicate that severe flooding has adversely affected crops early in the year. In the longer run, planned work is progressing slowly and many of the goals set in the 5-year plan may not be fully realized.

Very few of the crops produced on estates are expected to show any increase in production in the next few years and most will decline. Rubber, tea, copra, palm oil, and other tree or bush crops which require a period of three to seven years before giving returns on new investments will inevitably show stagnation or decline in production during the coming period. Tobacco production on estates which are struggling with illegal occupation of land will probably decline, although production by smallholders may increase.

Unless heavy planting of high yielding rubber trees is soon initiated, it seems doubtful that Indonesian rubber producers will be able to compete either with high natural rubber producers in other areas or cheaper synthetic rubber production.

Perhaps the most significant result of the 5-year plan will be the increase in training facilities and an expansion of the staff of agricultural workers at all levels. If such a program is implemented, it should bring about conditions more conducive to agricultural development in the future.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

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FATP 9-56

March 1, 1956

#### THE AGRICULTURAL SITUATION IN SYRIA

Weather was the principal influence in Syrian agriculture during 1955. A severe drought and generally unfavorable weather created adverse conditions for both crops and livestock. The result was a short supply of most crops compared to the previous year. Poor pasture conditions caused a smaller supply of meat and dairy products, although livestock mortality remained low.

Cotton has become an important element in the Syrian economy. Production has increased at an exceptional rate during the past several years. Increasing cotton exports have provided a stabilizing influence in the Syrian economy. In years of drought this becomes even more important since grains are largely rain-grown, while cotton is produced mostly by irrigation.

In 1955 production of wheat and barley was reduced considerably because of the drought. The area planted to grain was the largest on record but the per acre yields were low. Restrictions placed on grain exports by the Government and the importation of wheat has resulted in generally adequate supplies of grain. The per capita food consumption has apparently declined somewhat from that of a year ago. This can be explained in part by higher food prices and uneven urban employment.

Domestic market prices of many agricultural commodities were higher in 1955. Rice and cottonseed prices declined.

The productive capacity of Syria is being expanded. Improved production and marketing practices, together with the opening of new lands to irrigation, will add considerably to the agricultural potential of the country. Syria can be expected to produce increasing quantities of cotton and also regain her traditional position as an exporter of grain.

#### Cotton

Syria is making remarkable strides in cotton production. Its production has increased sixfold in the past five years and indications are that it will continue to increase at a rather rapid rate. The 1954-55 production of 80,000 metric tons from 463,000 acres was a siteable increase from the previous year when 48,000 tons were harvested from 370,000 acres. The 1955-56 crop is expected to increase by 11 percent, producing 90,000 metric tons from 500,000 acres.

Dryland cotton accounted for only 20 percent of the total acreage in 1955-56 as compared to 43 percent in the previous year. This decrease in dryland cultivation is attributed to below normal rainfall in most areas. The dry weather is expected to reduce strength and staple length of fibers in the new crop.

Lint cotton consumption increased from 8,700 metric tons in 1953-54 to about 10,000 tons in 1954-55. The poor cereal crop harvest has lowered the purchasing power of the Syrian farmer, and restrictions placed on Syrian textiles by Jordan and Iraq have reduced exports. Inventories of yarn are estimated to be about 30 percent higher than a year ago.

Syrian exports of cotton during 1954-55 were the highest on record, totaling 70,000 metric tons. France continued to be the leading foreign purchaser absorbing almost one-half, or 48.5 percent of cotton exports. The next two countries in order were Italy, 14 percent; and the United Kingdom, 13 percent.

Syria's acceptance of most European currencies in payment for cotton facilitates the movement of exports. Prices paid for Syrian cotton have declined slightly but the rates of currency exchange have improved tending to offset the price decline. Ten years ago very little cotton was grown in Syria. Cotton since has become an important crop and a valuable export commodity.

New land development in the Jazirah area of northeast Syria are becoming increasingly important. The land is fertile and water from the Kabur and Euphrates rivers is available for large-scale commercial farming. Efforts to improve seed, insecticides, fertilizer, irrigation, and other cultural practices are continuing. By these means, Syria may well double her cotton production within the next five or six years.

## Tobacco

In 1955 the weather was generally favorable for the production of tobacco. The quality of the leaf of all types grown is reported to be exceptionally good and largely free of damage. Production, however, declined slightly from 6,010 metric tons in 1954 to 5,670 tons in 1955. Most of this decline can be attributed to reduced production of Latakia leaf which is currently in surplus.

Latakia leaf has had an important role in Syrian tobacco production. In 1954 it accounted for 40 percent of Syria's production but in 1955, when stocks were already high, production dropped to 18 percent of the total. The Syrian tobacco monopoly recently announced that the planting of Latakia leaf has been discontinued due to lower demand and accumulation of heavy stocks which have forced the price very low. Other oriental and semi-oriental tobaccos will be substituted on the former Latakia leaf acreage.

The discontinuance of Latakia leaf production is the result of numerous complaints by growers and exporters who are holding stocks that have been increasing to higher levels each year since 1953. These stocks are currently estimated at around 4,500 metric tons, export weight. Based on the export pattern followed in recent years, it would take at least three to four years to dispose of this supply.

Syria's exports of leaf tobacco in 1953 totaled 1,202 metric tons, sharply below the level of the two previous years. In 1954 shipments totaled 1,304 metric tons. The United States has been the most important market for Syrian tobacco in recent years, taking more than three-fourths of all leaf export since 1950. Lebanon and the United Kingdom take most of the remainder.

## Grain

The 1955 grain crop was considerably reduced because of the drought. Wheat production declined 42 percent to about 490,000 metric tons and barley declined 68 percent to 142,000 metric tons. The barley supply is apparently adequate to meet domestic requirements without any surplus for export. The wheat crop fell slightly short of domestic needs. The Syrian government placed severe restrictions on the export of wheat in order to conserve the available supply. Despite these measures, an estimated 80,000 metric tons of wheat were illegally transported from the Jazirah in the northeast to neighboring areas in northern Iraq, where the crop was poor and prices were high. In order to meet the wheat shortage, the Cereals Office of the government bought 50,000 metric tons of wheat from Australia.

Syria's flour milling industry has undergone certain basic changes in recent years. The milling industry now has a higher production capacity than is required to meet domestic consumption. Based upon an eight hour workday and a forty-eight hour week, the industry's annual capacity is estimated at about 550,000 metric tons, while domestic flour requirements are roughly estimated at 500,000 metric tons. Wheat flour is the principal staple in the Syrian diet. The Syrian industry formerly milled some of the flour consumed in Lebanon, but a recent expansion of Lebanese milling capacity combined with the 1950 rupture of the economic union of the two countries has eliminated Lebanon's dependence upon flour milled in Syria. The three most modern flour mills in Syria, all situated at Homs, were originally constructed to supply flour for Lebanon. Despite the loss of the Lebanese market, they have been operating on a 24 Thour per day basis

because their relative efficiency puts them at a competitive advantage over other Syrian facilities. As a result of the excess Syrian capacity and competition from the mills at Homs, many of the smaller-sized motor driven or water powered mills throughout the country now operate only intermittently or not at all.

The production of corn declined 57 percent to 15,000 metric tons, and rice declined 39 percent to 11,000 tons in 1955. Other grains rose in price as the short crop became apparent but the price of rice declined. Low prices have prevailed on the domestic market since November, 1954, when Egyptian rice reached Syria duty free under the Inter-Arab Trade Agreement. As a result, rice acreage has been diverted to cotton.

## Fruit

Syria produces a small citrus crop of about 2,500 metric tons annually, mostly oranges. In 1955, production totaled 2,700 tons or about 10 percent of domestic requirements. Imports of citrus come mostly from Lebanon and totaled about 27,000 metric tons in 1955. This is an increase of 5,000 tons over 1954 and is attributed by trade circles to a more abundant supply in Lebanon.

The production of decidious fruits declined in 1955 due to a shortage of irrigation water and subsoil moisture in most of the fruit producing areas. An exception was grape production for which the weather was favorable. Most fruits are consumed fresh in Syria but large quantities of the quince and peach crop are canned, while pomegranates are consumed primarily in the form of juice. Large quantities of apricots are consumed as apricot paste, a preferred form of this fruit. Decidious fruit prices in 1955 were higher than 1954 except for apples, the price of which is ruled by the Lebanese market.

A trade agreement signed November 5, 1955, between Syria and Saudi Arabia provided for the customs duty free entry of Syrian fresh, dried and canned fruit, along with certain other agricultural products into Saudi Arabia. The fruit trade and canning industry anticipate this nearby Arab market may provide a needed outlet for small quantities of dried and canned fruits and some fresh fruits during the peak of the season.

A larger olive production is forecast for 1956, assuming average weather. Production is expected to reach 55,000 metric tons compared to 35,000 tons in 1955. Olive oil production is expected to increase from 3,800 tons in 1955 to about 7,000 metric tons in 1956. This larger production is expected to be partially due to recovery of damaged trees, and, in part, reflects expected recovery from the excessively dry weather of 1955. New plantings of olive trees continued to be insignificant during the past year. No substantial expansion is anticipated since cottonseed oil is gradually replacing olive oil in the domestic market and the export price of olive oil is unattractive.

Acreage and Production of Selected Agricultural Commodities in Syria, 1953-54, 1954-55, and 1955-56

••	Apricots (fresh)	Olives	Grapes	Rice (rough)	Corn	Barley	Wheat	Tobacco	Cotton	•• ]••	Committee of	Commod's ty
	8	213	8	13	50	930	2,347	14	370	0	Acres	1953⇔54
	20	49	100	16	23	300	800	1	48	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Metric tons	±54
••	8	230	3	. 15	43	1,342	2,720	18	: 463	1,000 units	Acres	: 1954-55
	38	32	15	18	24	450	849	6	80	its	Metric tons	55
	8	3	8	10	35	1,000	1,700	22	500		Acres	1955-56
	14	35	130	1	15	142	1490	6	90		Metric tons	-56











# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 10-56

U. S. DEPAGE

March 7, 1956

## The Agricultural Situation in Iran, 1955

With the exception of the primary grains, wheat and barley, production of practically every other agricultural crop was below normal in Iran during 1955. Exceptionally timely rains in the spring served not only to relieve a situation which in late winter looked precarious for winter grains, but actually caused production of these grains to reach record levels. Wheat suffered some rust and some smut damage, and intense drought before harvest caused shrinking of the kernels. However, the crop is still the largest on record. Production of other grains has remained unchanged.

Late frost caused a serious decrease in the production of almonds, pistachios, olives, and apricots. Shortage of irrigation water and scant rainfall in some areas where summer rainfall is normally expected reduced the rice and cotton crops below expectations based on planted acreage. For the same reasons the sugar beet crop was below expectations. Tobacco production has declined in recent years but in 1955 was 8 percent above 1954.

With the exception of cotton, where the planted acreage increased by about 50 percent in 1955, the area planted to other crops was relatively unchanged. Cotton production, however, was the same as the previous year. The production of grapes and other deciduous fruits was down about 2 percent. Citrus production was about 40 percent below the record 1954 outturn.

#### Grains:

Production of wheat, the most important food commodity in Iran, has been increasing steadily during recent years. Production for 1955 is now estimated at 2.31 million metric tons. Imports during 1955 amounted to 40,000 metric tons. Wheat prices are currently much higher

than they were a year ago. It is believed by Iranian officials that considerable hoarding of wheat by landlords is taking place, but it is felt that most of this will be released should federal importations of wheat occur. Although part of a general price rise, wheat prices have advanced much more than have the prices of most commodities. It is likely that if economic conditions remain at present levels or improve, the country will consume a little more wheat than it has in the past. It is believed that at least 100,000 metric tons of wheat will pass illegally into Iraq, because of the bad wheat crop experienced in that country. Wheat contributes more than 50 percent to the daily per capita caloric intake. During 1954-55 wheat made up an estimated 1,040 calories per day of a total intake of about 2,000 calories.

The production of barley is up some 56,000 metric tons from the 824,000 metric tons harvested in 1954. The annual rate of consumption has remained about the same over the last few years, with approximately 400,000 metric tons being used for human consumption. Barley is generally mixed with wheat in the cheaper flours. That not required for human consumption and for planting seed is used for animal feed.

Rice production fell to 225,000 metric tons in 1955, which is about 30 percent below 1954 production. Exports from the 1954 crop are estimated at 50,000 metric tons. In line with commitments of recent years, 25,000 metric tons from the 1955 crop are expected to be shipped to the U.S.S.R. in exchange for sugar. About 260,000 metric tons of milled rice are consumed annually. Because of the 111,000 metric ton carry-over from the 1954 crop there will be no difficulty in meeting local market demands.

#### Cotton:

Cotton production in 1955 is now estimated at 275,000 bales, the same as produced in 1954. Production costs for the 1955 crop were so high that producers will lose money if they sell their cotton at world market prices. Untimely rains in the spring caused an abundant growth of weeds. These weeds had to be removed and the expense of the required labor boosted the cost of production. The summer rains were some 120 days late and only irrigated cotton survived. The principal foreign buyers, Great Britain, France, Italy and India, are purchasing less cotton. Exports from the 1954 crop totaled 154,000 bales, more than 50 percent of total production. Prospects for exports from the 1955 crop do not appear bright at this time.

#### Deciduous Fruit:

Production of deciduous fruit declined during 1955 due to unfavorable weather conditions. Total production dropped from 528,000 metric tons to 482,000 metric tons. Apricot production, which had been steadily rising since 1952, when production was 60,000 metric tons, reached a high of 88,000 metric tons in 1954, but 1955 production fell to 57,000 tons. Olive production has been on the decline since prewar years. Production averaged 15,000 metric tons in 1935-39, but was only 10,000 tons in 1955.

Grape production has declined from the 1935-39 annual average of 280,000 metric tons to 240,000 metric tons in 1955. Production in 1954 was 250,000 metric tons. The production of raisins, however, is on an upward trend; production, which was 46,000 metric tons in 1953, is now 55,000 metric tons. Exports in 1954 were 30,000 metric tons; for 1955 exports are estimated at 32,000 metric tons.

Iran is the second largest producer of dates in the world. Production during 1955 of 100,000 metric tons was 40 percent below the 1954 crop which was the best crop year on record. Iran exported 33,000 metric tons in 1954 and 30,000 metric tons in 1955.

#### Other Crops:

The pistachio and almond crop which averaged 25,000 metric tons in 1935-39, declined to 8,000 metric tons in 1953, rose to 14,000 metric tons in 1954 and was 7,000 metric tons in 1955. Tobacco production for 1955 was 13,000 metric tons, which is 1,000 metric tons above 1954 production but 6,000 metric tons below 1953. Sugar production for 1955 was 75,000 metric tons. This is 6,000 metric tons above 1954 production but below 1953 production by 4,000 metric tons. Imports of sugar in 1954 were 208,332 metric tons and in 1955, 200,000 metric tons. A stock of 100,000 metric tons is usually maintained.

Iran: Production of Major Crops,
1935-39 average, Annual 1953-55

Commodity	1935-39	:	1953	:	1954	:	1955
Wheat	1,962	:	2,250	:	2,100	:	2,313
Rice (milled)	253	:	350	:	351	:	225
Barley	777	:	820	:	824	:	880
Sugar	21	:	79	:	69	:	75
Cotton	37	:	50	•	60	:	60
Tobacco	16	:	19	\$	12	:	13
Apricots	60	:	77	:	88	:	57
Oranges	16	:	45	;	49	:	35
Dates	120	e e	125	:	140	:	100
Grapes	280	:	250	2	250	:	240
Raisins	32		48	*	50	:	55
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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 11-56

MAR 27 1953 March 7, 1956

THE AGRICULTURAL SITUATION IN TURKEY, 1955

## Summary

Turkey is primarily an agricultural country. The basic development plans of Turkey are to increase crop production for expanding exports and to provide more food for the growing population. Receipts from agricultural exports annually account for between 80 and 85 percent of the country's foreign exchange earnings. Agricultural occupations provide employment for approximately 80 to 90 percent of the total population, farmers represent 70 to 75 percent, and processors of agricultural produce from 10 to 15 percent.

It is estimated that of Turkey's 296,185 square miles, 45 percent is in meadow, 24 percent in crop land, vineyards and orchards, 13 percent in forest, and 18 percent in unproductive land. On the basis of a recently completed soil survey it is estimated that 40.5 million acres are suitable for crops, roughly 3.7 million acres less than that now being cultivated.

Because of the seriousness of the 1954 drought, total agricultural production declined sharply. Production of grains, which in 1953 had reached a record high, fell drastically. The production of one of Turkey's principal export commodities, wheat, was almost half that of the previous year.

The coastal regions reportedly produced an average crop of bread and feed grains this year. On the other hand, in the central provinces where the bulk of the bread and feed grains are raised yields were reported to be below average. As the harvest progressed, however, estimates placed the total bread and feed grain at about 30 percent above 1954 production. Although it is anticipated that substantial exports will be made this harvest of bread and feed grains is estimated to only about equal that required to feed the Turkish people and livestock for one year and allow for the build-up of depleted and needed reserve stocks.

Cotton yields are variable and total production is difficult to estimate. The 1955 crop according to the latest available information, is now estimated to be 8 percent less than the earlier reported estimate of 620,000 bales (500 pound gross). Exports which reached a peak in 1952 tapered off by 1954 to about half the 1952 export level. Cotton production and exports are very important, for, like tobacco and wheat, cotton provides Turkey with foreign exchange which enables the country to make purchases of needed commodities in other countries.

Tobacco production in Turkey, unlike most other exports crops, has remained relatively constant in recent years and hence can usually be depended upon from year to year to contribute its share of foreign exchange.

#### Grains

Under normal crop conditions Turkey is a net exporter of grains. Total production for 1955 is estimated at 12.8 million metric tons. Approximately 60 percent of this is wheat and about 24 percent barley. Turkish grain production in 1935-39 averaged annually 7.3 million metric tons, wheat averaging 3.7 million metric tons. In 1952 wheat production was 6.5 million metric tons and in 1953 reached a record production of 8 million metric tons. The 1954 crop was very poor, wheat output dropped to 4.9 million metric tons and barley, after reaching a high of 3.6 million tons in 1953, fell to 2.4 million metric tons. The 7.1 million metric tons of wheat produced in 1955 is the second largest harvest on record. The barley production for 1955 was 3.2 million metric tons.

The Government's food grain production goal for 1960 of 19.6 million tons is approximately 7 million metric tons more than was produced this crop year. This is generally considered as optimistic. The Turks also estimate that they will be exporting by 1960 some 2.7 million metric tons of wheat and 350,000 metric tons of barley.

The 1955 crop may be considered as marginal because of the need to build up stocks which were depleted during 1954. However, with pressure building up from creditor nations, as well as internally from those who feel the need to obtain foreign exchange, the Turkish Government has moved to carry out a bread and feed grain export program. The first shipments under this program and from the 1955 harvest were moved out during September. How extensive this program will be is still difficult to estimate, but it appears now that the decision has been made to carry out an export program irrespective of the need to build reserve stocks.

#### Cotton

Cotton production in Turkey rose from an annual average of 240,000 bales during the prewar period 1935-39 to over 690,000 bales in 1952. Production for 1955, because of bad weather and insect damage to the crop, is estimated at only 580,000 bales. Turkey's projected five-year plan calls for 1.4 million bales by 1960. At the present time this goal does not appear possible.

An irrigation dam in the Sayham River is scheduled for completion in 1956. Water from the dam will be used to fully irrigate land now only partially irrigated. It is expected that by 1960, with a more extensive irrigation system, 120,000 more acres will be put into cotton. Turkish government officials are projecting an increase of 115,000 bales for internal use this year and are projecting exports to be 322,000 bales. However, considering recent revisions in production estimates these figures do not now seem valid. Exports in 1952 reached 377,000 bales but declined to 233,000 bales in 1954.

#### Tobacco

Turkey is one of the world's foremost producers of oriental tobacco. The 1955 crop was about 9 percent above the previous year's production. Prices and demand are strong. The 1953 tobacco crop of 114,000 metric tons was a production record. Production in 1955 was 107,000 metric tons, while production in 1954 was 98,000 metric tons. Turkey's five-year development plan for agriculture, which runs from 1955 to 1960, is mainly aimed at increasing yields. In particular, this plan provides for increased use of fertilizers and high grade seed, greater facilities and improvements in irrigation, control of parasites and diseases, and use of improved farming methods. The goal set for 1957 tobacco production is 114,000 metric tons, the figure achieved during 1953 crop year. The projected figure for 1960 of 122,000 metric tons is quite feasible and may be surpassed. The United States is the principal buyer of Turkish leaf and tobacco exports provide Turkey's principal source of dollar exchange. Turkey and the United States sell on many of the same foreign tobacco markets. The United Kingdom, West Germany, and Austria are some of the more important ones.

#### Miscellaneous

The production of apples fell during 1955 to 120,000 metric tons. Average production since 1952 had been 135,000 metric tons. The production of sugar is estimated at 260,000 metric tons (refined) in 1955 as compared with the 1954 figure of 173,000 metric tons when production was down chiefly because of the drought. Annual average production in the 1935-39 period was 69,000 metric tons.

Production of peas and beans is estimated at 300,000 metric tons this year. This represents a return to normal production after a slight decline in 1954 when production was 281,000 metric tons. Potato production in Turkey has not changed materially in the past two years, totaling a little over one million metric tons annually. Oil and oilseed production has shown no substantial change since 1953. Production of grapes in 1955 is estimated at 1.65 million metric tons the same as the previous year; annual average production during 1935-39 was 934,000 metric tons.

Turkey is second only to the United States as a producer of raisins. Exports amount to about 60 percent of annual production. Production has averaged about 65,000 metric tons since 1952, but the 1955 outturn is placed at about 48,000 metric tons. The chief markets are the United Kingdom, West Germany, The Netherlands and Switzerland.

Turkey is the world's leading producer of filbert nuts. In 1955 production totaled 42,000 metric tons, which is only slightly below average but well below the bumper crop year of 1954, when 115,000 metric tons were harvested. The United States is an importer of filberts from Turkey. Turkey is also a producer of almonds and pistachios in exportable quantities.

Although a substantial producer of citrus, Turkey does not compete on world markets, due to the fact that her citrus is all consumed locally. Annual average production during 1935-39 was 66,000 metric tons, production reached a high of 135,000 metric tons in 1954 but declined in 1955 to 125,000 metric tons. The production of onions has remained nearly constant since 1953, when 344,000 metric tons were produced. In 1955 production was 350,000 metric tons.

The per capita caloric intake during 1954-55 was estimated at 2,678 per day. Grains supplied an estimated 1,863 calories, oils and fats 104, fruits and nuts 122, meats 132, milk 145 and other foods 312 calories. Caloric intake at this level and distribution is considered likely to continue through 1955-56.

Production of Major Crops In Turkey. 1935-39 Average, Annual 1953 through 1955.

Commodity	1935-39 av.	1953	1954	1955
		1,000 metric	tons	
Wheat Barley Rye Oats Maize Other grains Potatoes Cotton Tobacco Beans and Peas Sugar Apples Citrus Grapes Onions Nuts	3,693 2,092 363 245 584 347 181 54 58 206 69 112 66 934 72	8,000 3,640 730 416 759 805 1,029 140 114 311 193 137 129 1,640 344	4,900 2,400 440 320 914 568 1,040 142 98 281 173 137 135 1,650 345	7,070 3,205 657 400 864 586 1,050 127 107 300 260 120 125 1,650 350 57



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## FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

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FATP 12-56

April 18, 1956

#### The Market For United States Agricultural Products in Peru 1/

The United States is the source for more than half of Peru's total imports, consisting mostly of vehicles, machinery, and manufacturers. With the exception of beef and some wheat, which come from Argentina, and certain other minor exceptions, the United States is the leading source for most of Peru's principal food and agricultural products.

#### Trend in United States Exports to Peru

According to data for 1954 or 1955, whichever is the latest available, the United States supplied Peru with 37 percent of the wheat that it imported, 38 percent of the lard, all of the cottonseed oil, 30 percent of the butter, 18 percent of the evaporated milk, 63 percent of the dried whole milk, 66 percent of the nonfat dry milk solids, much of which was through UNICEF; 76 percent of the canned fruits, 80 percent of the raisins and 60 percent of the prunes. Peru bought most of its barley from Canada, its rolled oats and evaporated milk and much of its lard from Holland, its fresh apples, pears, and nuts from Chile, and its jams and marmalades from England. The United States, however, has maintained or increased its share of the barley, evaporated and dried milk, and fresh, canned and dried fruits, and has sharply increased its share of cottonseed oil and butter. (See Tables I - IV)

Peruvians, in general, prefer United States agricultural products. Through the joint efforts of the United States and Peru, a wider range of United States agricultural products could be made available to Peruvians to see, test, and buy. This should play an important part in increasing the percentage of United States products in the Peruvian market.

#### Bilateral Agreements

The Peru-Chile trade agreement, signed about 15 years ago, long before GATT, represents the only agreement which can be said to affect imports of United States agricultural products into Peru. That it currently is no major impediment to this trade is indicated by the fact that (1) Chile's balance of

<sup>1/</sup> Prepared for publication in the Latin American Analysis Branch.

trade with Peru is definitely unfavorable and (2) United States exports of the principal competitive agricultural products, affected by the agreement, are nearly double those of Chile. In only four products, namely barley, fresh apples, pears, and walnuts, did imports from Chile exceed those from the United States.

#### Trade Restrictions

About the only significant limitations on Peru's imports are: The selfimposed surcharges on imports, which are considered essential to its national
revenue; the apparent inability of the people to buy in volume; and its present
practice of producing and selling in the export market only cotton and derivatives,
sugar, alpaca wool, and coffee. Even Peru's restrictive credit policy, which was
adopted late last year primarily to discourage imports, is being handled so as
not to discourage imports of food and raw materials. Peru knows her food shortage
problems and looks to greater trade to help solve them.

Although there are virtually no restrictions on imports of most products, Peru recently has made some tariff increases on such processed agricultural products as textiles, canned fruits and vegetables. There are, however, no quantitative trade restrictions on dollar imports as such.

#### Expansion of Agricultural Trade

It has been said that "markets are people" and that is generally right, but in Peru, as in many other Latin American countries, it should be said that "markets are people with buying power".

The present Peruvian market for most United States products, products that we, at home, take for granted, is much nearer a few hundred thousand than to Peru's estimated population of 9.5 million. Peru is primarily agricultural, with probably 65 percent of its population dependent on crops and livestock for its livelihood, and normally more than half of its exports are agricultural. Our problem, therefore, is how to build a market for 3 to 4 million people, most of tham in agriculture, and how, in large part, to enable them to buy the agricultural products we have to sell. They need them.

So far as agriculture is concerned, it is mainly through Peru's increased production of complementary products that its ability to trade with the United States can expand. Agriculture represents the principal form of enterprise in Peru on which the growth of a large middle class, the back-bone of any significant development of market possibilities, must depend. The average income of the bulk of Peru's population is very low and is probably the major limitation to market development. The growth of a farming middle class should increase consumption of agricultural products as well as the products of industry. This in turn should help build up greater purchasing power in other labor groups.

Studies of per capita food supplies suggest that in the last 5 years there may have been but little increase in Peru's average living standards. Data of the Central Reserve Bank of Peru indicate that per capita national income of Peru's economically active population has been declining recently. These two statements may not be true, however, of the sector located mainly along the Western coast where the greatest progress has been made in agriculture, mining,

fishing, and commerce. Conditions there suggest a relatively higher and gradually increasing standard of living. It is to this area that our immediate market development activities must be directed.

Our best efforts to develop a market for a wide variety of United States agricultural products in Peru, however, will tend to have limited effect, unless Peruvian agricultural development is directed toward the production of agricultural commodities for which it is especially suited and which are complementary to those produced in the U.S.

Table I. - Peru - Imports of Specified Grains, by Country of Origin 1951 to 1954 or 1955

	United							
Year	Quantity	% of Total	Canada	Argentina	Chile	Other	Total	
			(100	O bushels)				
				Wheat				
1951 1952 1953 1954 1955	3,893 3,034 1,710 711 4,057	56 35 18 8 37	4,425 5,012 794 209	2,772 767 2 7,335 5,766	2 2 2,608 5	279 331 - 984	6,946 8,559 9,332 8,845 11,016	
				Oats				
1951 1952 1953 1954	14 6 3 11	5 2 1 3	3 25 <b>13</b> <b>13</b>	31 45 -	39 49 30 1/	178 146 226 330	265 271 272 354	
			Barl	ey (malting)				
1951 1952 1953 1954 1955	63 37 46 22 77	17 11 9 4 16	65 95 188 216 180		207 201 268 202 155	31 15 21 75 82	366 348 523 515 494	

<sup>1/</sup> Less than 500.

SOURCE: Calculated from data in Anual Estadistica del Comercio Exterior, 1951-52 and 1953-54 and ships manifest data.

Table II. - Imports of Dairy Products, by Country of Origin 1951 to 1954 or 1955

	United	States % of	<del></del>					
Year	Quantity	Total	Canada	Argentina	Denmark	Holland	Other	Total
				(1000 pound	ls)			
				Evaporated n	nilk			
1951 1952 1953 1954	494 2,473 3,286 2,527	13 18 28 18	190 14 1,699 95	•	•	2,363 6,366 6,020 11,662	818 5,205 698 135	3,865 14,058 11,703 14,419
				Dry whole r	nilk			
1951 1952 1953 1954	283 456 772 402	46 49 59 63	144 9 14 144	1/ 1/ 1/	98 380 <b>321</b> 173	18 56 173 41	74 24 31 11	617 925 1,301 639
				Dry skim n	nilk			
1951 1952 1953 1954	310 610 1,270 1,134	73 60 78 66	2 320 220 408	-	77 45 96 155	9 41 40 19	25 - -	423 1,016 1,626 1,716
				Butter				
1951 1952 1953 1954 1955	1/ <u>1</u> / 3 663 1,156	neg. neg. neg. 19	1/ 1/ 1/	1,134 650 1,738 1,836 1,957	363 1,925 379 866 475	63 42 10 25 82	122 494 153 50 134	1,682 3,116 2,283 3,440 3,804

<sup>1/</sup> Less than 500.

SOURCE: Calculated from data in Anual Estadistica del Comercio Exterior, 1951-52 and 1953-54 and ships' manifest data.

Table III. - Peru - Imports of Specified Fats and Oils, by Country of Origin 1951 to 1954 or 1955

				10 1//H VE 1//			
	United S						
Year	Quantity	% of Total	Canada	Argentina	Holland	Other	Total
			(1,	000 pounds)			
				Lard			
19 <b>5</b> 1 19 <b>52</b> 1 <b>953</b> 1954 1955	9,581 24,024 17,712 4,921 9,187	86 98 88 52 38	1/	1,479 510 2,428 1,411 3,284	80 3,050 11,477	34 9 149 5	11,094 24,543 20,220 9,531 23,953
			(S	hort tons)			
			0	ottonseed oil			
1951 1952 1953 1954 1955	1/ 1/ 1/ 1	28 100 68 92 100	60 70 64		1/ 1/ 1/	, as es es	1/ 1/ 1
			(1,	000 pounds)			
				Tallow			
1951 1952 1953 1954	5,480 12,851 13,300 10,739	84 98 99 96	75 306 355	40 48 40 48	23	978 13 76	6,533 13,170 13,323 11,170

<sup>1/</sup> Less than 500.

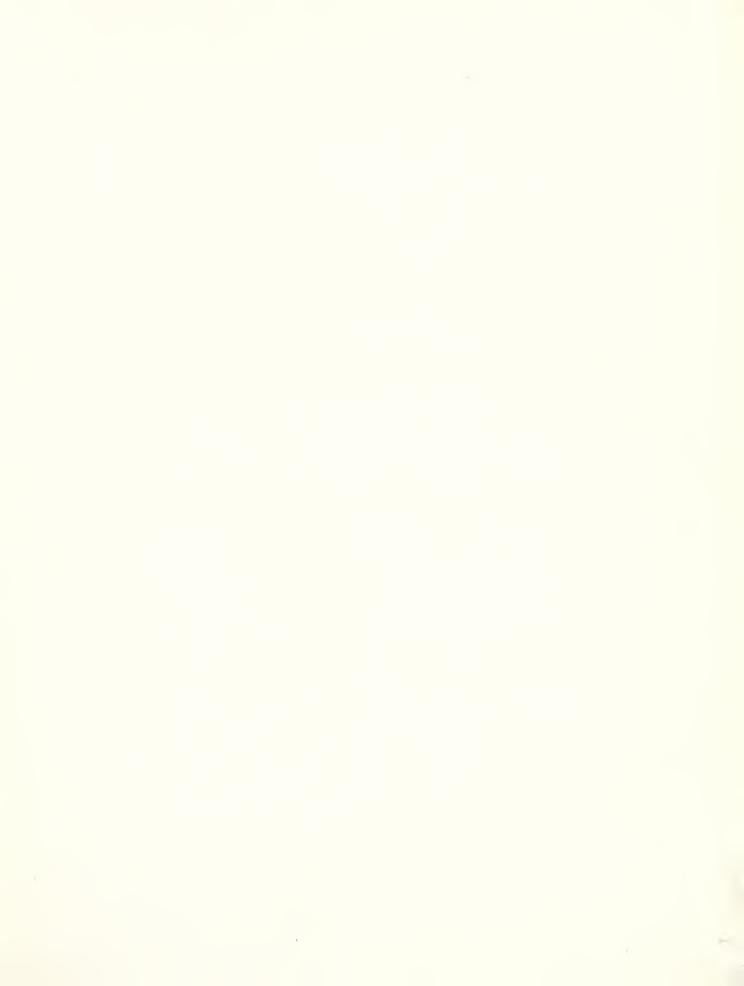
SOURCE: Calculated from data in Anual Estadistica del Comercio Exterior, 1951-52 and ships manifest data.

Table IV. - Peru - Imports of Specified Fruit Products, by Country of Origin 1951-54

	United S	tates					
Year	Quantity	% of Total	Argentina	Chile	England	Other	Total
1041	& danier of	10041		000 pounds		Ounci	10002
					,		
			Appl	es, fresh			
1951 1952	65 270	3 12	-	2,418 1,878	-	5 <del>-</del>	2,488 2,148
1953 1954	288 320	12 13	<b>~</b> 7 /	2,104 2,048	-	1 14	2,393 2,412
1774	320	1)	1/		•	पंप	2 9 412
			Pear	s, fresh			
1951 1952	30 101	10 12	-	256 723	-	-	286 824
1953 1954	233 194	32 35	-	493 353	•	ī	726 548
1774	174	<i>)</i>	<b>.</b>		-	_	740
			Drie	ed Prunes			
1951 1952	244 445	53 68	-	211 206	-	3	458 651
1953 1954	406 <b>35</b> 0	55 60	-	336 226	-	- 1	742 577
-//-	3,70		T			_	211
			Ţ	laisins		_	1
1951 <b>1</b> 952	155 468	. 33 74	•	308 166	•	9	472 634
<b>19</b> 53 <b>19</b> 54	551 58 <b>7</b>	78 80	4 <b>3</b> 30	93 99	-	18 15	705 731
			-	ed Fruits		-	
ומכז	2,110	67		714		320	2 765
1951 1952	3.046	90	19 5 <u>1</u> / 1	234	-	70	3,165 3,355
1952 1953 1 <b>9</b> 54	3,405 3,098	83 76	$\frac{1}{1}$	594 902	-	84 90	4,084 4,092
			Fruit	Marmalade	9		
1951	24	9	1/	9	190	59	282
1952 1953	72 43	22 12	1/ 1/ 1/	9 3 1 5	206 234	59 45 61	326 343
1954	43 58	20	<u>1</u> /	5	193	30	286

<sup>1/</sup> Less than 500.

SOURCE: Anual Estadistica del Comercio Exterior 1951-52 and 1953-54 and ships manifest data.









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UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 13-56



April 23, 1956

The Agricultural Situation in Egypt \*

The 1955 season was generally favorable with increased production of almost all crops except wheat and cotton. The production of rice has increased substantially during the past two crop years. Unlike many countries in the Middle East, Egypt's agriculture is almost entirely irrigated so that yields tend to be relatively stable from year to year. Recent increases in production have been the result of planting additional acreage to export crops and improvement in agricultural techniques.

Egypt has had a difficult time marketing its principal agricultural exports. At the beginning of the 1955-56 season stocks of cotton were larger than the previous year and exports were at a low ebb. As a result, the foreign exchange position of the country showed a rather substantial deficit. In an effort to decrease surplus stocks, export duties were reduced to facilitate sales of export crops. A general import duty of 7 percent was enacted as a source of government revenue and also to discourage non-essential imports. By these means, Egypt has been able to improve its balance of trade position and increase sales of export crops.

Egypt is a country of about 23 million people. The rate of population growth has been increasing during the past decade and has now reached about 3 percent annually. Agricultural production in recent years has been increasing at a greater rate than the growth of population. Considerable further improvement must be made, however, before the per capita level is equal to the prewar period. An index of agricultural production reached 115 percent of prewar in 1954-55 but per capita agricultural production was only 81 percent of the 1935-39 average. Because of the importance of agriculture to the total economy, this situation indicates a continuing need for agricultural development in order to maintain per capita production.

<sup>\*</sup>Prepared by the Africa and Middle East Analysis Brahch.

#### Cotton

The economy of Egypt is closely tied to the production and export of cotton. It is the largest and most important cash crop in Egypt, providing more than 80 percent of the foreign exchange earnings for the country.

Cotton production decreased from 1,578,000 bales in 1954 to 1,535,000 bales in 1955. The current crop is not only smaller than the 1954 harvest but also is only 81 percent of the 1935-39 average production. The area planted to cotton has continued to increase for the past two years. The increase in 1954 was largely at the expense of wheat resulting in a sizeable wheat deficit. In 1954 farmers were allowed to overplant cotton acreage by 10 percent but during 1955 the tolerance was reduced to 3 percent and compliance strictly enforced. The Egyptian Government has announced that the 1956 crop will be restricted to one-third of the cropland throughout the country. The effect of this order will be to lower the production of Ashmouni cotton, one of the shorter stapled Egyptian varieties.

The marketing season for cotton began in September with larger stocks than the previous year and the prospect of declining cotton prices. The government, which closely controls the marketing of cotton, reopened the future's market at Alexandria for the first time since 1952. Exports of Egyptian cotton fell to 1,081,300 bales in 1954-55 compared with 1,485,000 bales in 1953-54. Sales for export this season have been running about 30 percent higher than last year. The important trend in cotton exports has been the increasingly larger quantities which have been purchased for shipment to Asiatic and Eastern European countries.

#### Rice

Rice production has increased very rapidly in the past two years; from 652,000 metric tons in 1953 to 1,118,000 in 1954. The 1955 crop of 1,310,000 tons was an increase of more than 200 percent over 1953. These increases were due in large measure to the additional acreage brought under rice cultivation. Rice area increased from 439,000 acres in 1953 to 633,000 acres in 1954. Acreage failed to increase in 1955 so the improved yield can be partially attributed to the distribution of improved varieties of seed rice. Egypt will probably continue to expand rice production in 1956 provided an adequate supply of irrigation water is available.

Rice is an important cash crop and an important source of foreign exchange. During the 1955-56 season, Egypt is expected to export about 200,000 tons of milled rice compared with 80,000 metric tons in 1954-55. The Egyptian Government has facilitated rice exports by lowering export duties and by entering into trade agreements with other countries.

Recent bilateral trade agreements provide for shipment of 60,000 metric tons of rice to Hungary, 60,000 tons to Russia, 17,000 tons to Japan, 27,000 tons to Czechoslovakia and 6,000 tons to the Union of South Africa.

#### Wheat

Wheat production amounted to 1,451,000 metric tons, a decline of 16 percent from the crop of 1,728,000 tons in 1954. The 1955 decline was caused by the relaxation of compulsory wheat acreage controls. Wheat area decreased from 1,864,000 acres in 1954 to 1,581,000 acres in 1955. As a result, Egypt is faced with a wheat shortage which will probably continue until the new crop is harvested. Stocks of wheat have declined in the towns and cities so that imports must be relied upon to maintain the supply.

Wheat imports have been estimated at 57,925 metric tons during 1954-55 compared with 12,125 tons in 1953-54. Imports of wheat during 1955-56 may exceed 350,000 tons. The United States is expected to be the principal supplier of imported wheat much of which will be surplus grain sold under provisions of Public Law 480.

In an effort to reduce the wheat deficit during 1956, Egyptian farmers are required to plant one-third of their cropland to wheat. This is expected to increase production but will probably not eliminate the need for some wheat imports.

#### Corn

Corn is an important food grain in the rural districts of Egypt where the majority of the people live. The acreage and production of corn has been below the 1953 harvest for the past two years. The 1955 crop is estimated at 1,778,000 metric tons compared with 1,854,000 tons in 1953. The present corn shortage, as is the case with wheat, has been caused by diverting grain acreage to the production of cotton.

#### Sugar

Production of sugar is about 300,000 tons a year produced from about 90,000 acres of sugarcane. According to the Egyptian Ministry of Supply, 1955 sugar production increased 15 percent over the previous year. The supply of sugar has declined to about 35,000 tons or one-half the amount held three years ago. From a position of net importer in recent years, Egypt moved to become a net exporter of sugar in 1955. The Egyptian Government assumed control of the sugar industry in August of 1955, when the General Sugar Refining Company was placed in receivership by the military authorities.

#### Flax

Flax is cultivated in Egypt chiefly for the production of its fiber, but the fertility of the soil and the favorable climatic conditions also allow a good yield of flaxseed. Production of flax has increased substantially during the past two years. The 1955 harvest of flax straw amounted to 34,270 metric tons which was an increase of 57 percent over the harvest of 21,890 tons in 1954. Egyptian deseeded straw yields about 10 to 11 percent of long fiber. Production of flax fiber was 3,430 metric tons in 1955 compared with 2,190 tons in 1954.

Yearly beginning stocks of fiber ran 6 to 8 percent of the previous years production. Very little flax is used for domestic consumption so most of the fiber and tow produced in the country is exported. The three principal markets for Egyptian flax are in the United Kingdom, West Germany, and France. Production is expected to rise again in 1956 since no effective acreage controls apply to this crop.

Egypt: Acreage and Production of Selected Crops 1953-54 to 1955-56

1953–54			53-54	:	1954-55				1955-56			
Commodity	: Ac	res	Metric tons	:	Acres	Acres : Metric : tons :			Acres	;	Metric tons	
				\$	1,00	units -			:			
Corn	2,	090	1,854	. :	1,867	:	1,753	:	1,875	:	1,778	
Wheat	: 1,	858	1,546		1,864	:	1,728	:	1,581	:	1,451	
Rice, rough	:	439	652		633	:	1,118	•	623	:	1,310	
Cotton	: 1,	375	318	:	1,639	:	348	:	1,885	:	33/4	
Cane Sugar	:	84	268		87	•	300	:	-	:		
Flax fiber	:	7	2	:	10	:	2	:	16	:	3	

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 14-56

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The Agricultural Situation in the Union of South Africa, 1955-56



#### General:

South African farmers during 1955 were faced with the cost-price squeeze which has been plaguing American farmers. The cost of labor, fertilizers, machinery, inland and sea freight all increased. Prices of some of the major export products, maize and dried fruit for example, decreased and will probably decrease further in the coming year. Surpluses over domestic requirements of some of these products including maize, barley, and raisins necessitated their sale in export markets at prices below domestic support prices. Increasing competition in export markets and consequent lower prices anticipated for the coming season will probably bring about a reduction in the support prices for some commodities, such as maize, in 1956. This cost-price situation plus the chronic losses from drouth, floods, insects, and diseases has weighed heavily on most of the Union's farmers and they generally feel that the situation will become worse in the next few years.

#### Maize:

For the past 3 years South Africa has had a considerable surplus of maize (corn) over its normal annual domestic requirements of some 92.9 million bushels. During the first year of surplus there was a general feeling of relief that extra maize was on hand to offset a possible short crop, such as necessitated imports in 1952-53. In the second year of surplus some slight concern was felt and the export market was entered rather casually. In the third year of surplus, with stocks amounting to nearly 53.6 million bushels, a very strong (and successful) export effort was made with increased cooperation from the state owned railroads in moving corn from inland collecting centers to the ports and by selling at whatever price was offered on the export market. Nearly 35.7 million bushels of maize was exported during the year 1955-56 marketing year. This resulted in a loss of about \$4.2:million to the official maize marketing board.

Part of this loss was taken care of by existing stabilization fund levy on producers and the remainder was taken care of by the Government. The current producing season 1955-56, has not been good and it is expected that the crop will not add significantly to the existing surplus of over 35.7 million bushels, and even may allow some reduction of the surplus.

#### Wheat

The Union is still on an import basis for wheat with domestic requirements being slightly over 30 million bushels and production for the last few years having averaged about 21.7 million bushels. However, production has been increasing fairly steadily and that for the current year is estimated at about 25 million bushels. This trend towards self-sufficiency in wheat is expected to continue and may be aided by the development of a rust resistant summer wheat and by a shift from maize to wheat production. It is quite possible that the Union will have surplus wheat within a few years.

#### Cotton

Cotton production in the Union is steadily increasing. Annual consumption amounts to about 36,485 bales of 480 pounds each and since 1951 when cotton production was begun in irrigated districts of the Orange River domestic production has increased from about 15,600 bales to about 26,000 bales. It is expected that production will continue to increase in the next few years and, taking into account increasing cotton production in Swaziland, that the Union will be self-sufficient in cotton.

#### Tobacco

About 1951 the Union had a surplus of its Amarillo type flue-cured tobacco. The quality of this tobacco was such that it was virtually impossible to sell it on export markets. As a result of this and of the tobacco manufacturers' desire to increase sales by supply cigarettes more in keeping with consumer preference, within 2 years the entire production of flue-cured tobacco was switched from Amarillo to Orinoco (a type more like the Souther Rhodesian and American flue-cured tobacco). Because of the lower per acre yield compared with Amarillo tobacco, the Union's production decreased sharply in the first years after the change-over and imports of tobacco were needed. Aside from token amounts from the United States, the bulk of these imports were gotten from the Phodesias. Imports will be required again in 1956 and it is expected that most of these imports will also come from the Rhodesias. It appears that consumer preference in the Union is highest for American tobacco, next for Rhodesian tobacco and last for domestic tobacco. It seems likely that in order to protect domestic producers every effort will be made to supply domestic requirements from domestic production, supplemented as necessary by imports of tobacco from the Rhodesias ( the 1955 trade agreement between the Union and the Rhodesias requires the import of approximately 3 million pounds per year during 1956-57-58) with only token purchases from the United States.

#### Livestock and Meat

When price control on beef was discontinued in January of 1956 consumers feared sharp continuing increases in prices and producers hoped for the same. In fact, such price increases have not come about to any significant extent and producers are still dissatisfied with the prices they receive.

Cattle slaughter during 1954-55 was nearly 10 percent below that of the previous year and it is expected that there will be no significant increase in slaughter during the current year. Cattle production has not been very profitable relative to other agricultural production during the past few years and there are no signs of any improvement in the situation. The consumer is accustomed to paying a low price for beef and will not readily accept any price increase great enough to bring about a significant increase in beef production. With the human population increasing and beef production remaining static or actually decreasing, it appears that there will be marked beef shortages during the next few years. Mutton and lamb supplies, largely a by-product of the wool industry, seem adequate as does that of pork.

#### Citrus

Up to now citrus production in the Union has been extremely profitable. Very heavy plantings of the last few years suggest an increased orange production of 20 percent per year for the next 4 or 5 years. Leaders of the citrus industry are quite disturbed about this trend and expect it to cause considerable marketing difficulties. Some interest has been shown in working jointly with the United States on a citrus marketing promotion program in Europe.

#### Wool

Wool production continues as one of the few bright spots in the general agricultural situation. For the marketing years ended June 30, production has increased steadily from 228 million pounds in 1950-51 to an estimated 290 million pounds in 1954-55 (including Karakul and wool from South West Africa) and is forecast at about 305 million pounds for the current (1955-56) season. Although the average price has decreased from the record height of \$1.12 per pound for 1950-51 to 57 cents per pound for 1954-55 and is expected to decrease further - to about 52 cents per poundfor the 1955-56 season, wool is still profitable, especially relative to other agricultural production. It remains the most valuable agricultural product of the Union, especially as over three-fourths of the total wool production enters export markets. The United Kingdom continues as the major market but in recent years France, Germany, the United States and the Communist bloc have become important markets, South African wool officials presently make complaints about the United States tariff on wool. These

complaints appear to be for the record during the present situation of good markets. If wool marketing becomes difficult, these complaints may become serious.

Union of South Africa: Acreage and Production of Major Crops and Livestock. 1952-53 to 1954-55

	:	1	952-	-53	:	19	753	-54	:	1954-	दद
Commodity	:	Acreage	:	Pro-	:	Acreage	:	Pro-	:	Acreage	: Pro-
v	:		:	duction	:		:	duction	:	•	:duction
	:		:		:		:		:		•
	:	1,000 acr	es:	1,000 bu	. :	1,000 acre	s:	1,000 bu.	:]	L,000 acre	s:1,000 b
	:		:		:		:		:		•
aize	:	7,520	:	120,539	:	8,490	•	139,920		8,500	:130,640
heat	:	3,137	:	19,937	•	3,014	:	21,160	:	2,857	: 22,050
affir corn	:	734		12,114	:	-	•	8,111	:		: 5,696
obacco 4/		-	:	37,167	:	<b>7</b> 0	:	34,315	:	83	: 34,300
otton 27		60	:	20,000	:	90	:	26,000		100 1/	: 25,000
ugar 37	:	191	4	670,188	:	224	:	725,429	:	241	:828,555
ried T	:		:		:		:		:		:
grapes 4/	:	400	•	19,341	:	-	:	22,021	:	-	: 23,692
001 5/	:	***	:	264,600	:	***	:	280,000	:	-	:295,000
itrus	:		:	-	:		:		:		
fruit 6/		-	:	7,749	:		:	8,844	:	-	: 9,918
attle 7/	:	600	:	11,768	:		:	11,655	:	•••	: 11,604
11	:		:	-	:		:		:		:
sheep 7/	:		:	35,480	:		:	35,992	:	-	: 37,142
11	*		:	-	:				:		:
goats 7/	:		:	5,557	:	-	:	5,557	0	-	: 5,407

<sup>1/</sup> Preliminary estimate

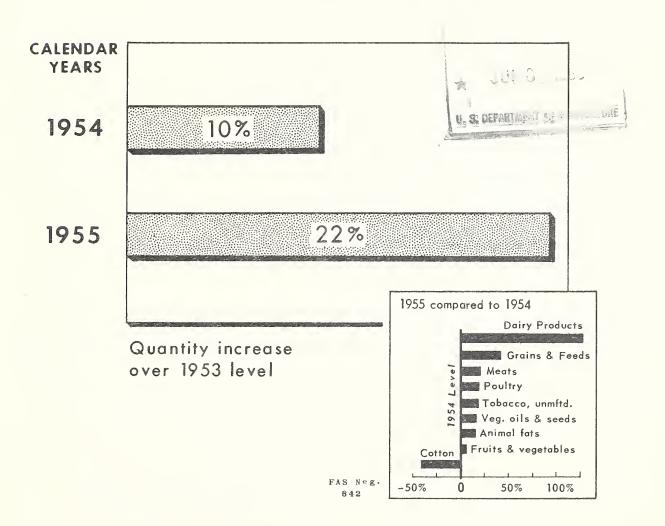
<sup>2/</sup> Bales of 480 lbs. net each.
3/ Short tons of 2,000 lbs.
4/ 1,000 lbs.
5/ 1,000 lbs. - excludes Karakul wool; includes Union of South Africa, Union Protectorate and S.W.Africa.

<sup>6/ 1,000</sup> boxes of 90 lbs. each

<sup>7/ 1,000</sup> head - as of August 1951

Reserve A281.9 F76F

# U. S. AGRICULTURAL EXPORTS Gain in 1955



Circular FATP-15-56
Foreign Agricultural Service
UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.
April 1956

#### U.S. AGRICULTURAL EXPORTS

The quantity of agricultural commodities exported in 1955 was 22 percent more than in 1953 and 13 percent more than the average of the 3 previous years, 1952-54.

1955 is the second year of export recovery since the post-Korea drop.

All major commodity groups, except cotton, gained in 1955 over 1954.

The biggest relative increases were in dairy products and in grains and feeds.

Export levels in 1955 moved ahead of the 1952-54 average for all groups, except cotton.

Quantity indexes of U.S. Agricultural Exports, calendar years, 1954 and 1955 (Percent of 1952-54 average)

	0 /	
1954	1955	Increase in 1955 over 1954
		Percent
134	304	127
106	126	19
102	117	15
106	128	21
118	181	53
113	68	-40
99	118	18
78	110	41
148	171	16
105	110	5
102	113	11
	134 106 102 106 118 113 99 78 148 105	1954 1955  134 304 106 126 102 117 106 128  118 181  113 68 99 118 78 110 148 171 105 110

One half or more of all wheat, corn, and sorghum exports were under Public Law 480 programs.

Most of the cottonseed oil exports were under CCC's export sales program.

Government export programs also contributed materially to exports of cotton, tobacco, rice, soybean oil, dairy products, and beef.

281.9 76 F



# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP-16-56

May 15, 1956

# Agricultural Production and Trade Policies of Australia

#### Introduction

The achievements of Australia since 1938 have been notable. The population has increased by one-third to over nine million people with full employment, high wages, and a high rate of capital development characterizing the country's growth. There are now some 50,000 factories as compared to 27,000 prewar. With twice as many persons engaged in industry since the 1930's, the percentage of population now employed in factories is larger than it is in the United States. Agricultural output, on the other hand, has increased significantly because of mechanization, despite a decline in agricultural laborers.

A serious balance of payments situation is causing Australia to take inventory of its economy, particularly in relation to its production potential and its foreign trade. In this connection it is important to appraise both agriculture's and industry's roles in the economy in order to fully understand the current situation.

#### Agricultural Production and Consumption

The Government is now engaged in implementing a plan to increase agricultural production. This program, announced by the Minister of Agriculture and Commerce in 1952, provided for increased amounts of wheat, lamb, oats, barley, tobacco, linseed, and small increases in the production of beef and milk by 1957-58. As originally envisaged the plan provided for an over-all production target of 24 percent above

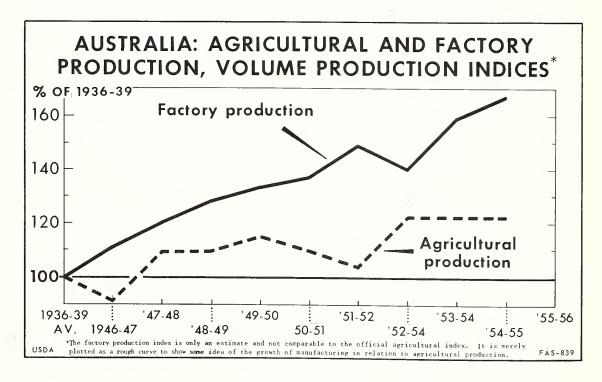
the prewar levels and even as early as 1953-54 the volume of rural production had increased to an estimated 22 percent above prewar. A review of the program made by the Government in 1955, resulted in the upward revision of some targets for livestock production, such as meat and wool. With the 1954-55 production in certain commodities more than exceeding early targets and with the revisions in goals, the overall agricultural production is expected to increase 27 percent above prewar by 1957-58, instead of 24 percent as originally planned in 1952.

It is interesting to note that this production increase of over 20 percent already achieved has been accomplished with practically no increase in farm laborers while mechanization has expanded rapidly. The number of tractors on farms are now about three times the number in 1939.

Although population has increased rapidly during the 1950's and wages and standards of living have been high, overall domestic food consumption has not kept pace with the increased levels of agricultural production. By 1954-55 total food consumption was 26 percent greater than prewar, while population growth during the postwar years has amounted to 32 percent.

#### Industrial Production

In contrast to agriculture, industry has increased its production by more than 60 percent since prewar, but its labor strength has also increased by approximately one million persons. (See Chart).



Both Government and private capital interests are beginning to recognize that the industrial development of Australia must be efficient in order to attain a maximum output not only to meet domestic requirements but also provide certain manufactured items for export. To date, however, Australia's industrial development has not been attained without protective tariffs, high labor costs, and imports of some basic raw materials such as iron, aluminum, and coal. It was reported recently by the president of Australia's Associated Chambers of Manufacturers that, "Australian industrial cost levels were seriously out of line with other sterling area countries and that this situation had resulted from the shortening of hours and the continuous rise in wages and allied costs."

The Australian Government is now aware that more efficient measures must be employed in both agricultural and manufacturing industries, if the country's economic development and programs for production expansion are to be maintained. Competition in world markets will continue to be difficult, if not impossible, unless some solution is found to lower domestic production costs and thus curb Australia's inflationary tendencies.

#### General Financial Situation

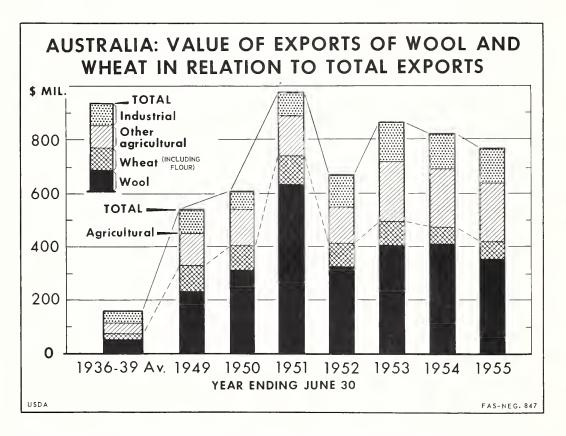
A decline in Australia's international reserves by £A142 (\$318 million) was noted for the fiscal year 1954-55 and continued at a somewhat diminishing rate in 1955-56. This deterioration actually began when the balance of payments fluctuated from a substantial surplus situation in 1950-51 to a serious deficit in 1952-53. These fluctuations, with a tendency toward deficits in 1953-54, have been attributed to the rise and decline in export income derived from wool sales, increased imports, and competition encountered with other agricultural exports in the world markets. Actually, the contribution of farm income to the gross national product declined by 13 percent in 1954-55 as compared to 1953-54, but still accounted for 10 percent of the total revenue. Some of this decline was accredited not only to the fall in prices of wool, but also to the abandonment of several bulk purchase agreements with the United Kingdom during 1954.

#### General Foreign Trade Policy

Since 1951, Australia has found it increasingly difficult to balance a foreign trade based primarily on exports of agricultural produce against imports of raw materials and heavy equipment for the maintenance of a high-cost manufacturing industry and long-term development programs. The problem has been complicated by Australia's obligations as a Commonwealth Nation to the Sterling Area and the

perpetuation of strong prewar trade ties with the United Kingdom and other parts of the Commonwealth. This channelization of a large part of Australia's trade, facilitated in the postwar years by special bilateral arrangements and imperial preferences, has contributed to the difficulties some commodities have encountered in recent months in facing competition on world markets.

It is now recognized that more of a balance between agricultural and industrial exports should be achieved in Australia's foreign trade. At the present time approximately 80 percent of the export revenue is derived from the sale of wool, wheat, dairy products, fruit, and sugar abroad. Wool, alone, is responsible for about 50 percent of the total export earnings, followed by wheat with about ten percent. (See Chart). Manufactures, on the other hand, in both



the prewar and postwar periods have accounted for only 15 percent, by value, of total exports—a small proportion in comparison with the large capital investment.

Action was taken by the Australian Government in April 1955 to restrict imports by some £A125 million (\$280 million) during 1955-56. Again in October additional restrictions were imposed in an effort to insure a favorable balance of payments by June 30, 1956. This latter restriction policy reduced quarterly licensing of goods from the

dollar area by an overall 12-1/2 percent, but at the same time permitted a quarterly "all countries" quota, which provided for imports of such agricultural raw materials as cotton, tobacco leaf, and hog casings from the cheapest source of supply, regardless of country currency considerations. This provision was adopted to assist manufacturers in not only reducing costs of raw materials but also in reducing costs of plant operations.

High tariffs have long been a feature of Australia's trade policy, but it is now being recognized in some parts of the Government that these high tariffs add to internal costs. This condition makes it increasingly difficult for Australia to maintain a competitive position in world markets and leads to further adverse balance of payments difficulties and still higher production costs. Concerted efforts have been made by the Tariff Board to refuse tariff increases on manufactured items whose production has been sustained on the basis of higher costs than comparable industry in other countries.

Increased interest has been displayed in recent months by the Commonwealth Government in programs of assistance to exporters in securing more market outlets for their products. An export guarantee scheme will soon be placed in operation. With this plan exporters will be able to insure their goods against loss and nonpayment up to 85 percent of their value, and will be able to obtain payment immediately upon shipment of the goods. The program is to be financed from insurance fees and payments which are guaranteed by the Commonwealth Government. It is hoped that this arrangement will make Australian manufacturers more export conscious and will have the long range effect of boosting Australia's export earnings. In addition, the Government expects to spend LA750,000 (\$1,680,000) in 1956 for the promotion of Australian foodstuffs abroad. Of this amount £A450,000 (\$1,008,000) will be spent on food fairs and other advertising media in the United Kingdom alone.

#### Agricultural exports of interest to the U.S. trade

From an agricultural standpoint, Australia produces and exports many of the same commodities surplus to the United States such as wheat, wheat flour, rice, citrus, dried and deciduous fruits, dairy products, and meats and meat products thereby creating keen competition for the United States.

As far back as the 1920's both State and Commonwealth Governments have maintained some form of legislation to provide subsidies or other marketing aids to protect farmers from wide price fluctuations, both at home and abroad. Chief among the commodities so aided are wheat, dairy products, dried fruits, fresh fruits and vegetables, canned fruits, sugar, and meats. Some details of plans which are applicable to the entire Commonwealth and currently

operative for the marketing of wheat and dairy products, and a proposed scheme of assistance to dried fruit producers are discussed under the appropriate commodity sections.

#### Wool

With less than one-sixth of the world's sheep, Australia produces more than 25 percent of the world's total wool production and 50 percent of the total world output of fine quality merino wool. Production increases since 1953-54 have amounted to about 13 percent in spite of lowered price levels, and future marketing prospects remain firm, with every indication that production will continue to increase.

Wool prices were fairly steady as of March 1 with completion of the first eight months of the auction season, but prices were still approximately 17 percent below the same period in 1954-55. The total proceeds from sales, however, were only about 13 percent below last year due to the greater volume of wool sold in 1955-56 as compared to former years.

Total wool exports at the end of January were approximately 17 percent above last year, with the largest shipments consigned to the United Kingdom, France, Japan, and Italy. Exports to the United States so far in 1955-56 have increased by about 5 percent since last year.

#### Wheat

Although the Australian Wheat Board did not experience difficulty in moving the 1954-55 wheat surplus, it is anticipated that more effort will be needed in finding markets for the 1955-56 surplus which is estimated at about 125 million bushels this year. Consideration is being given to credit sales and increasing sales to some countries in return for tariff concessions. A special credit sales arrangement has already been consumated with Poland and further selling efforts are expected to be concentrated on India, Middle Fast countries, Germany, and the United Kingdom. Reports have also indicated that the current negotiation of a new trade arrangement with Indonesia may provide an outlet for Australian flour.

Wheat marketings both at home and abroad are governed by a Wheat Stabilization Scheme adopted by the State and Commonwealth Governments in July 1954. This legislation is a renewal of the first postwar Wheat Stabilization Plan which expired after the marketing of the 1952-53 crop. 1/ Effective through November 1958, the

<sup>1/</sup> The first Commonwealth Stabilization Scheme was established by the Wheat Industry Assistance Act, 1938 and supplemented by legislation of the various States.

scheme guarantees a price to producers equal to the cost of production for an established export quota of 100 million bushels of wheat, plus the amount consumed domestically. The guaranteed price for 1955-56 was set late in November 1955 at 13s 1d (\$1.46) per bushel, or 6¢ above the 12s 7d (\$1.40) price of 1954-55. However, farmers receive additional payments based on profits made by the Board on its sales in both the domestic and export markets.

The Wheat Board also fixes the home consumption price for wheat. This price is based on the ruling International Wheat Agreement export price at the beginning of the crop year, but may not exceed 14s (\$1.55) per bushel bulk f.o.r. ports. If at any time during the effective dates of this Stabilization Scheme, Australia should not be a member of the IWA, the home consumption price is to be the current export price prevailing at the first of the season, rather than the IWA export price. The home consumption price recently announced for 1955-56 is 13s4d (\$1.49) per bushel, or 6¢ above the 12s 10d (\$1.43) price in 1954-55.

As in the operation of the previous plans, the Australian Wheat Board continues as the sole marketing authority for all wheat sold domestically and for all wheat and wheat flour exported.

A Stabilization Fund was created which is financed by an export tax not to exceed 1s 6d (\$0.17) per bushel on all wheat exported, whenever the export price exceeds costs of production by that amount. A 3d (\$0.03) charge per bushel will also be levied and added to the fund on all wheat originating in and exported from Western Australia, in order to offset the natural freight advantage this State enjoys on movements of wheat to overseas markets. The maximum amount of the fund may not exceed LA20 million and repayments are to be made to growers upon the recommendation of the Wheat Board, if at any time the fund should exceed this maximum figure.

The Scheme also provides for differential payments to farmers, should prices of wheat exported under the quota fall below the established minimums set by the program. To date no payments have been made under this part of the legislation. Provision is also made that these payments shall be made out of the Commonwealth Treasury funds, if for any reason the Stabilization Fund proves to be inadequate. In the final analysis, the price guarantees to farmers provided by this plan operate as government subsidies, although Australian legislation does not provide for government subsidization of agricultural commodities.

#### Rice

While Australia's rice production is by no means large, it has for many years been sufficient to satisfy the home market as well as to provide a useful surplus for export.

Production is being expanded in the tropical regions of the Northern Territory under a five-year project financed jointly by the United States and Australian private capital. It is planned that about 1,000 farms varying in size from 300 to 500 acres will be in operation when the program is completed. About 25 acres were seeded in the first year 1954-55. In 1955-56, the cultivated area was increased to 300 acres and experiments are also being made with aerial sowings to facilitate the planting of large areas at minimum costs. With the completion of the Snowy Mountain irrigation project sometime after 1960, additional acreages are expected to be planted to rice in the Murrumbridges and Wakool sections of New South Wales.

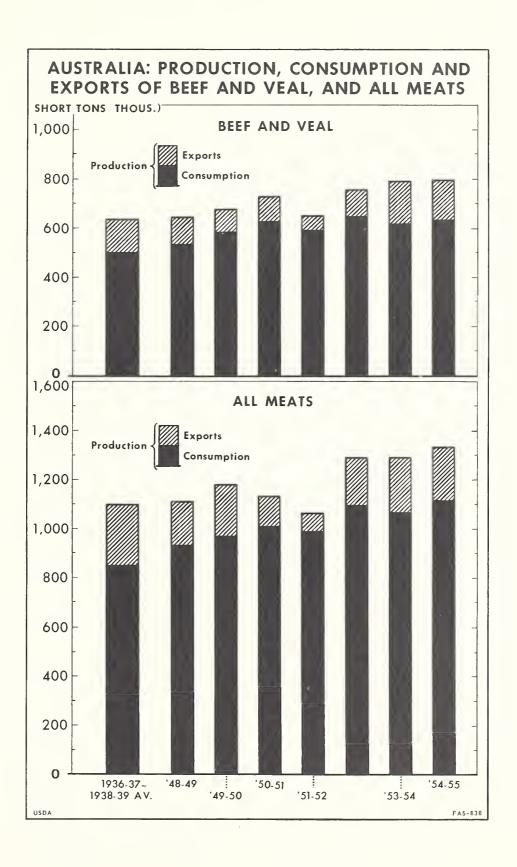
#### Livestock and Meat

Australia is one of the more important world producers of meat. It is the largest exporter of beef and veal, ranking second in the Commonwealth as an exporter of lamb and hams. Aside from carcass meat, Australia is now the largest Commonwealth producer of canned meat, chiefly beef, veal, and mutton, which is exported primarily to the United Kingdom and South Pacific island areas.

A major share of the surplus of beef, mutton and lamb is exported to the United Kingdom under the terms of the United Kingdom—Australian fifteen-year meat agreement (effective until 1967), although additional markets will be sought in 1956 for mutton and lamb shipments outside the agreement. Some of these exports are expected to be channeled to Canada, Egypt, the Federation of Rhodesia and Nyasaland and possibly small amounts to the United States.

The Australian Meat Board generally assumes responsibility for all meat exports. It represents the Commonwealth Government in actual administration of the terms of the United Kingdom-Australian agreement in addition to licensing private trade exports.

Although Australia's total meat consumption has increased an average of 10 percent since prewar, per capita consumption has dropped since 1950 to about 14 percent below the 253 pounds of the prewar period 1936 to 1939, but Australia is still one of the highest per capita meat consuming countries in the world. Further domestic requirements for beef depend not only on the rate of



population growth but also on the degree to which beef producers are able to satisfy the demand for higher quality meat. Current developments in consumer tastes are away from the cheaper cuts of meat in many urban areas, as a result of the rise in income levels and higher standards of living.

The increases in Australia's total meat production and trend of exports since 1948 have been stimulated by scientific research, improved farming techniques, and an assured market for exports to the United Kingdom. (See Chart on page nine). A large potential exists for expansion of beef cattle numbers and the production of beef and veal, particularly in the Northern Territory, Queensland, and Western Australia, provided sufficient incentives are created for producers.

Considerable assistance is now being given to livestock producers on the part of both the Commonwealth and State Governments in the form of pasture improvements, facilitation of transport of meat and livestock to market and construction of inland abbatoirs. All of these measures of assistance are directed toward the production of better quality meats for export. To what extent these aids will result in increased production hinges on the ability of the Australian producer to secure an economic return on his investment in pastures, fences and expanded herds. Prewar the market returns to beef producers were far too low to stimulate large capital investment in an industry, which at that time was subject to considerably more high risk factors, such as drouth and disease.

There is still some question as to Australia's future ability to compete in the United Kingdom beef market over a long-term period. British consumers are becoming more and more discriminating in their demands for quality beef. They have recently displayed a greater buying preference for chilled beef than for the frozen type, which comprises the major portion of Australia's present exports. Normally Argentina furnishes keen competition for Australia in the chilled beef market. To what extent Argentina may be able to regain and hold this market in the United Kingdom is difficult to forecast.

#### Dairy and Poultry Products

Dairying is one of the primary industries of Australia. Growth of this sector of agriculture was stimulated during the World War II period by demands of the armed forces. It was again given impetus in the early postwar years by bulk purchase arrangements with the United Kingdom which continued in effect until 1954. Increased

production has resulted primarily from greater use of mechanization, improved pastures, and better methods of livestock disease control.

Improved practices in dairying were encouraged by annual government grants of ŁA 250,000 (\$560,000) during the five-year period 1948-53. The bulk of this money was allocated for programs in individual States and payments are still being made after extension of the grants for a second five-year period, 1953-58.

One method of encouraging expansion of dairy production during World War II was the Commonwealth Government's adoption of a Dairy Stabilization Scheme, which was primarily a system of guaranteeing prices to farmers. Similar plans for payment of subsidies and the maintenance of price guarantees were in effect between 1947 and 1952. In July 1952, a new five-year stabilization plan was endorsed by the industry and the Commonwealth and State governments.

This plan authorizes the Commonwealth Government, with the approval of the State Governments, to determine fixed ex-factory prices of butter and cheese and to assure payment of guaranteed prices to farmers based on determined costs of production. The guaranteed price to farmers applies only on production consumed domestically, plus exports to the amount of 20 percent of domestic consumption. This price fixing policy affects the overall average market prices received by farmers and manufacturers for all butter and cheese produced, as well as sets the level of prices paid to producers by manufacturers of other dairy products. Until the actual guaranteed price is determined at the end of the marketing year, an interim equalization price, which is an estimate of the average price for both the guaranteed amount and the non-guaranteed export sales, is paid to the processors and the farmers.

Profits realized on exports of butter and cheese in excess of the f.o.b. equivalent of the guaranteed price are credited to the Dairy Industry Stabilization Fund. This fund cannot be drawn upon by the Commonwealth Government, but is subject to expenditure by the industry any way they see fit, and to make good any losses incurred on exports not covered by guarantees.

Subsidy payments are paid by the Government to factories to make up the difference between prices received for the sale of products and the cost of milk to the farmer under the guaranteed price structure. The total appropriation for these payments has been limited to LA16 million (\$36 million) each year from the beginning of the plan, but was reduced for 1955-56 to a total of LA14.5 million (\$32 million). This action on the part of the Government was offset by an increase in the domestic price of butter. State Milk Boards control and set prices to farmers for nearly all milk and cream sold in fluid form.

About 112,000 tons of butter are expected to be available for export during 1955-56, chiefly to the United Kingdom. Other markets for dairy products are Ceylon, Malaya, Singapore, Egypt, Philippines Hong Kong, and India. Butter and processed milk products such as dried whole and skim milk exports in the third quarter of 1955 were well above 1954 levels.

A government program of special assistance to commercial poultry producers was recommended early in 1955. This program is aimed at a uniform poultry improvement plan throughout Australia, to be administered jointly by State and Commonwealth officers under the supervision of the Commonwealth Scientific and Industrial Research Organization research station in Victoria.

Announcement was also made in August 1955 of a bulk purchase arrangement with the United Kingdom which provided for Australia's shipment of 11,000 tons\* of egg pulp at a contract price of £ 190/8 sterling (\$533.12) per ton f.o.b. with delivery to be completed by June 30, 1956. This 11,000 tons of pulp represents about 16 million dozen shell eggs. It is also estimated that an additional 20 million dozen shell eggs will be exported to the United Kingdom during 1955-56.

#### Dried Vine Fruits

Australia ranks third in the world dried fruit production and is the largest Commonwealth producer of both raisins and currants. The principal raisin produced is the sultana, a light-colored, thinskinned grape product, although lexias and other raisins are produced in smaller quantities.

As the result of some marketing difficulties, efforts have been made by the industry to stabilize production by the adoption of a marketing scheme similar to the Wheat and Dairy Stabilization programs. The proposed scheme is now under consideration of the Commonwealth Government and the Australian Dried Fruits Association. It is contemplated that the plan would operate for a period of five years and that individual floor prices would be adopted for the marketings of the principal dried vine fruits, namely, sultanas, lexias, and currants. A ceiling producer price of LA20

<sup>\*</sup> All tonnage figures in this periodical refer to short ton weights.

above a guaranteed floor price of LA10 per ton below the annually determined costs of production is planned, with growers contributing all surplus amounts realized above the ceiling price to a Government-controlled stabilization fund. This stabilization fund will be drawn upon for payment to growers when returns fall below the guaranteed floor price. In the event the fund is exhausted, the Treasury will be called upon to pay the difference between the realization and the guaranteed floor price. If growers of a certain variety of fruit realize more than the guaranteed floor price for their variety, and growers of another variety realize less than the floor price, no growers may receive surplus funds until all raisin and currant producers have been paid the guaranteed floor price.

Certain trading advantages are enjoyed by Australia which have tended to direct her raisin exports to important Commonwealth markets, particularly the United Kingdom. These are the extension of tariff preferences by both the United Kingdom and Canada as well as special marketing arrangements with the United Kingdom which have been effective since 1949.

Under the terms of a five-year marketing agreement from 1949 to 1953, Australia was permitted to ship her entire exportable surplus of raisins to the United Kingdom at fixed prices, after allocation of supplies to Canada, New Zealand, and certain other designated areas. Even after the United Kingdom's Ministry of Food decontrolled dried-fruit prices and marketing functions in 1954, the United Kingdom Government undertook to support prices of Australian raisins in the United Kingdom market and diverted responsibility for imports to the Australian Dried Fruits Board Representatives in London.

Since 1953, Australia's raisin exports have been highly competitive with the United States product, particularly in the United Kingdom and Canadian markets. Average shipments to the United Kingdom total about 45,000 tons per year which is equal to about 50 percent of Australia's total production. A comparison of Australian and United States raisin exports to the United Kingdom and to Canada are shown in the following tabulation for the prewar period and years 1950 to 1955:

Australian Exports
Tons

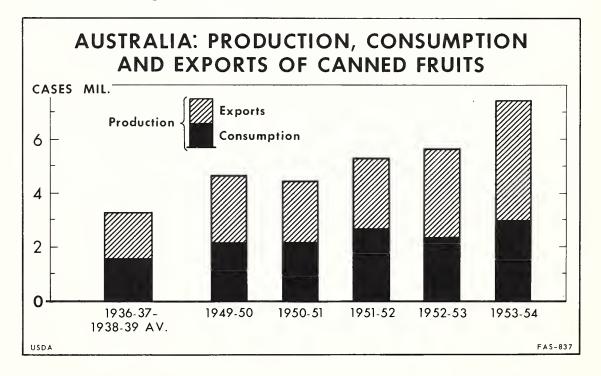
Year*	Total	Canada	United	Total	Canada	United
			Kingdom			Kingdom
1934-38**	48,374	15,178	28,398	60 <b>,</b> 985	3,444	25,656
1950-51	30,377	17,440	8,371	38,467	6,233	9,843
1951-52	36,589	9,761	19,079	79,847	11,108	31,404
1952-53	65,952	14,518	46,123	106,180	10,244	51,270
1953-54	57 <b>,</b> 896	11,244	41,365	59,390	10,340	20,047
1954-55	67,126	16,029	44,765	41,722	9,813	5,358

<sup>\*</sup> July-June year

Sources: Australian Commonwealth Statistician and U. S. Bureau of Census.

#### Canned Fruits

The production of canned fruits has shown phenomenal growth in Australia with a figure of 7.6 million cases 1/ in 1954 as compared with 2.5 million cases prewar. Although consumption is five to six times greater than during the prewar period, domestic utilization still averaged only 59 percent of the total annual fruit packs during the years 1951 through 1954. (See Chart).



1/ 24-30 ounce tins.

<sup>\*\*</sup> average

Total exports, on the other hand, have increased tremenduously since 1950 and were estimated at 5 million cases in 1954 as compared to 2 million cases prewar. It is also estimated that about 70 percent of Australia's exports in recent years have been consigned to the United Kingdom.

For a period of fifteen years (1940-54) shipments of Australian canned apricots, peaches, pears, and mixed fruits to the United Kingdom did not flow through normal trade channels. During World War II, imports were curtailed because shipping space was needed for other commodities. In the postwar years 1946 through 1954, the Ministry of Food was the primary importer of Australian canned fruits under the provisions of bulk purchases agreements.

Australia's canned apricots, peaches and pears are particularly competitive with United States products on the United Kingdom market. During 1934-38, the United States furnished 2.5 million cases of these three items for the United Kingdom, while the Australian share totalled about 1.2 million cases. In 1955, however, Australia's exports increased to over 3 million cases, while the United States' share amounted to only 400,000 cases after an almost complete cessation of exports from 1948 to 1955.

## Agricultural Imports of Interest to the U.S. Trade

Australia's major agricultural imports from the United States are limited to raw materials such as tobacco, cotton, hops, sausage casings and forest products, namely, timber, rosin, and turpentine. The United States is an exporter of all of these items and prewar enjoyed a position of major supplier of several of these commodities. Since Australia's imposition of dollar and other import restrictions in the postwar period, our exports of hops, sausage casings and turpentine have fallen to either very low levels or ceased entirely. Our exports of tobacco in recent years have encountered strong competition from Southern Rhodesian and Canadian exports in the Australian market, while our cotton exports are facing increased competition from Mexico, Brazil and Commonwealth producers.

#### Tobacco

U. S. tobacco leaf shipments represent about 9 percent by value of the total U. S. exports to Australia and more than 50 percent of the value of all agricultural exports. Although the total volume of U. S. leaf tobacco exported to Australia has exceeded prewar levels since 1953, the percentage of the total Australian market supplied by the United States has dropped from 98 percent prewar to 67 percent. Much of this difference has been accounted for by imports from Southern Rhodesia and Canada, who were not large exporters prewar. Imports

from Southern Rhodesia and other areas of the Central African Federation are subject to specific purchase agreement guarantees as well as a 9d per pound tariff preference.

Tobacco from the United States must also compete with a domestic mixing regulation that now requires manufacturers to use 7-1/2 percent domestic leaf for cigarettes and 17-1/2 percent domestic leaf in other tobacco products, in order to receive 18d (\$.17) per pound duty rebate on their supplies of imported leaf.

Domestic tobacco production was emphasized in 1955 when the Commonwealth Government agreed to collaborate with the Tobacco Manufacturers in the joint financing of a trust fund for research and crop expansion. The plan which involves an annual capital expenditure of LA168,000 (\$376,000) will be administered by the Commonwealth Government and will be used to finance tobacco research programs undertaken by the Commonwealth Scientific and Industrial Research Organization, State Departments of Agriculture and private research institutions.

Efforts to expand tobacco production date back to 1948 when plans were developed for increasing production in Queensland. Since that time, although acreages and yields have increased somewhat, production is still only about one-third above prewar. It has been reported, however, that new irrigated acreage will be available from 1956 to 1968 under the Mareeba-Dimbulah irrigation project now being completed in Queensland. A target production of 15 million pounds of tobacco leaf has been set for 1957-58, but it is questionable whether this figure will be attained.

#### Cotton

For several years, the Commonwealth Government has endeavored to promote production through the implementation of a Cotton Bounty Act, which at the present time guarantees fixed prices and free seed for the producers. Even with these incentives, production continues to be small in proportion to consumption requirements. It is doubtful that the targeted production of 10 million pounds set for completion by 1957-58 will be attained.

Although Australia is still considered a relatively small consumer, mill consumption of raw cotton has been increasing steadily since 1953 and in 1954-55 was eleven percent above the previous year. With the exception of 1952-53, the first year after import restrictions were imposed, the United States has supplied, on an average, 50 percent of Australia's raw cotton and cotton linter imports since 1950. The extent to which we may be able to increase our future exports to this market is dependent on the availability of cotton from such sources as Pakistan and Egypt, and our ability to meet price competition with Mexican and other cotton producing areas.

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# FOR JON ACREUTURE OR OUTAGE

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE

WASHINGTON, D-C

FATP 17-56

JUN 29 1956

June 15, 1956

SUMMARY OF 1955 U. S. AGRICULTURAL EXPORTS BY DESTINATION 1/

Nearly half the value of U. S. agricultural exports in calendar year 1955 represented shipments to 5 countries. In descending order of export value, these countries were Japan, the United Kingdom, Canada, the Netherlands, and West Germany. The first two took well over \$300 million worth each; the three others, well over \$200 million each. These countries, top five in 1954 also, are traditionally best customers for U. S. agricultural products.

Four of them--all but the United Kingdom--took less in 1955 than in 1954. All are good customers for U. S. cotton, but last year they drew heavily on stocks while waiting for U. S. prices to drop. Value for the United Kingdom was slightly larger: there was a drop in cotton but it was more than offset by increases in grains, tobacco, and other items.

U. S. agricultural exports last year totaled more than in 1954: \$3,195 million compared with \$3,046 million, a gain of 5 percent in value. Gain in quantity was even greater—amounting to 11 percent. Last year was the second year of recovery from the post-Korea low. Foreign market factors were generally favorable, and U. S. export programs supplemented them. All commodity groups, except cotton, improved or held their own. Improvements: Grains and preparations, +\$191 million; fats, oils and oilseeds, +\$27 million; tobacco, +\$57 million; dairy products, +\$33 million; and relief shipments through private agencies, +\$99 million. Fruits, nuts, and vegetables—valued at \$293 million—were nearly up to the expanded 1954 level. The contraction in cotton amounted to \$311 million.

Review by major commodity groups shows that the principal recipient of grains, cotton, and fats, oils and oilseeds was Japan; of tobacco, the United Kingdom; and of fruits, nuts, and vegetables, Canada.

Review by countries shows that the top export to Japan, West Germany, and the Netherlands was grain; to the United Kingdom, tobacco; and to Canada, fruits, nuts, and vegetables.

<sup>1/</sup> Prepared in the Trade Statistics Branch. A Foreign Agricultural Trade Report containing detailed statistics on U. S. agricultural trade by country is now being prepared.

Among the top 5 countries, largest increases in grain exports in 1955 over 1954 occurred to the United Kingdom and the Netherlands. Notably more fats, oils, and oilseeds were shipped to Japan and West Germany; much less to the Netherlands probably due to smaller transshipments to third countries. Principal tobacco improvements were in exports to Japan, the United Kingdom, and West Germany.

\* \* \*

Exports of grains last year reversed a 3-year downward trend. In addition to large increases in exports to the United Kingdom and the Netherlands, increases of \$10 million or more were made to Belgium, Italy, Yugoslavia, Israel, India, and Turkey. Both wheat and feed grain exports were aided by foreign currency and barter sales. Foreign currency sales also aided last year's rice outgo. For feed grains, principal strengthening factors also included the short Argentine corn crop and increased livestock numbers abroad.

The severe setback in cotton exports last year extended to the top 5 and to most other countries. Only large increases were for Yugoslavia, Spain, and Formosa. Exports were slow in 1955 due to increased underselling by competitors; foreign importers drew on stocks while waiting for U. S. prices to drop, but exports were assisted by sales for foreign currencies.

Fats, oils and oilseeds reached a 6-year export peak in 1955. Somewhat better diets resulted from improved incomes abroad although reduced production in Argentina and the Mediterranean Basin was also a factor in the demand for U. S. products. Notably larger shipments went to West Germany, France, and Spain. West Germany is an important outlet for U. S. lard and for cottonseed oil, used in top-quality margarine. France bought more soybeans and flaxseed. A below-average olive crop in Spain in late 1954, third in succession, caused her to buy U. S. cottonseed oil and soybean oil, largely under Government export programs. Even Turkey, not a usual customer for U. S. fats and oils, took \$4 million worth of cottonseed oil last year.

Unmanufactured tobacco attained a record export value last year - \$360 million. Japan, the United Kingdom, and West Germany scored the largest gains but exports to Belgium and several other countries were moderately larger. Expansion in tobacco exports was about equally divided between dollar sales and sales for foreign currencies.

Dairy products—newly identified in the table—showed an export gain of \$30 million last year. The top 5 are not important takers, but much goes regularly to Venezuela and the Philippines. And last year increases were notable for Italy and Israel (UNICEF milk shipments were an important factor in this increase). All dairy shipments are not reported in the dairy export statistics; substantial quantities are reported with relief shipments through private agencies.

Private relief shipments—consisting largely of dairy products and cotton—seed oil in recent years—showed a \$99 million increase last year. These shipments now form a substantial part of exports to some countries: Over half of those to India and Egypt, one—third of those to Italy and Greece. Most of the commodities were donated by CCC to private welfare agencies for overseas distribution under Title III of P.L. 480.

\* \*

U. S. agricultural exports to <u>Japan</u> have totaled about \$400 million a year for the past 5 years. Stability in this trade is the outcome of a steady flow of U. S. economic assistance to Japan. In 3 of the past 5 years, exports have consisted principally of grains; in the other 2, principally of cotton. The cotton decline accounted for the overall reduction in 1955. Cotton shipments fell in 1955 considerably below 1954, but they still stood somewhat above 1953. Third important commodity group has consistently been fats, oils and oilseeds, mainly because U. S. soybeans have been an important source of cheap protein food at a time when supplies from other sources have been limited. Tobacco deliveries to Japan—normally small—totaled \$14 million in 1955, more than double those of 1954 and largest in the 1950-1955 period.

Shipments of agricultural products to the <u>United Kingdom</u> have been gaining in value since the sharp cutback in British purchases in 1952. Exports of over \$500 million in 1951 were associated with the Korean war. Export recovery since then has been aided by the improved British gold and dollar position but hindered by greater supplies outside the United States. While exports of tobacco, grains, and fats, oils and oilseeds in 1955 were highest in value of the past 4 years, cotton shipments were at their lowest point. Exports of fruits, nuts, and vegetables last year were at a 6-year peak.

Agricultural exports to <u>Canada</u> reached a peak of \$300 million in 1951, fell in 1952 and 1953, recovered in 1954, and were well maintained in 1955. Exports of fruits, nuts, and vegetables have risen almost steadily in the past 6 years to a total of \$135 million in 1955. Their value is nearly half of all agricultural deliveries to Canada and nearly half of U. S. shipments of fruits, nuts, and vegetables to the world. Second in rank among agricultural shipments to Canada during the past 6 years has been cotton although the value has drifted downward to a 6-year low in 1955. After cotton comes fats, oils and oilseeds, a steady export group. Fourth in line have been grains although they, like cotton, have slipped and last year were at a 6-year low.

Shipments to the <u>Netherlands</u>, fourth best overseas market for U. S. agricultural commodities, were practically at a 6-year peak last year. Foremost were grains, which more than doubled the 1954 value and reached a 6-year high. Shipments of fats, oils and oilseeds declined from first to second place; but even so, they were about double those of 1952 and 1953.

Due to growth in Dutch transshipment trade, many more shipments to the Netherlands in the past 2 years were diverted to other countries. A feature of exports to the Netherlands is the almost steady decline in cotton, which reached a 6-year low in 1955. Exports of tobacco and fruits, nuts, and vegetables rose to a 6-year peak in 1954 but fell last year.

Agricultural exports to West Germany, the fifth best customer, last year were second lowest in the past 6 years. Only 1953 was less. Larger shipments in earlier years were helped by foreign aid. Compared with 1951, when total shipments were at a 6-year high, grains in 1955 were less than one-third in value; cotton, about one-third. On the other hand, exports of fats, oils and oilseeds rose to a peak last year. Fluctuating tobacco shipments have ranged between \$25 million and \$45 million. Exports of fruits, nuts, and vegetables in the last 2 years--averaging \$9 million--were much advanced over earlier years. West Germany, alone among the top 5 markets, has received large amounts of commodities donated by CCC to private welfare agencies; last year that country ranked fourth, topped only by Italy, India, and Egypt.

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#### Other notable country developments:

- ... Exports to <u>Italy</u> remained practically unchanged. Cotton shipments were halved, but private relief shipments more than doubled.
- ...Increase for <u>Yugoslavia</u> reflected large expansion in grains and cotton under U. S. export programs. Big increase took place in relief shipments through private agencies.
- ... Mexico's grain total was a 6-year low.
- ...Less grains went to <u>Spain</u>, but more than offsetting increases occurred in cotton and fats, oils, and oilseeds under export programs; also in private relief shipments.
- ... Exports to <u>India</u> did not change much in total, only in composition: More grains and private relief, less cotton. Nonetheless, exports to India were at a 6-year low, reflecting better production there.
- ... Exports to Formosa were at a 6-year high. Big items were cotton; fats, oils and oilseeds; and grains--all under export programs.
- ...Declines in all groups but grains reduced total for <u>Switzer-land</u> by \$4 million.

- ... Israel again increased its takings of U. S. agricultural products, mainly grains. Frivate relief, high for 2 years, was at a 5-year low. Export programs were important.
- ...Fourfold gain in private relief together with increases among all major groups brought last year's exports to <u>Greece</u> close to \$50 million, a 4-year high. Government programs were a major factor.
- ... Denmark, which usually takes hardly any U. S. dairy products, took nearly \$900 thousand worth of nonfat dry-milk solids last year--but for use as animal feed.
- ...Exports to Egypt trebled, mainly due to a \$20 million increase in private relief. Tobacco shipments were at a 6-year high.
- ... Turkey, an irregular taker of U. S. products, took \$29 million worth last year—mostly wheat but also some fats, oils and oilseeds—mostly under export programs.
- ... <u>Australia</u> continued to buy more U. S. tobacco. Value of \$24 million in 1955 was a 6-year high.
- ...Larger exports to <u>Belgium</u> last year reflected more-than-doubled shipments of grains over 1954.
- ...Exports to <u>Cuba</u> were at a 6-year low in 1955: \$108 million. Les Less grain, cotton, and fats, oils and oilseeds were shipped.
- ... Venezuela's takings of U. S. products gained last year. It's a steady, large market for dairy products; grains; fruits, nuts, and vegetables.
- ...Total for France fell to a 6-year low in 1955 because of a twothirds decline in cotton exports.
- ... Exports to the <u>Philippines</u> were at a 6-year high. Large gains occurred in grains and dairy products.

U. S. Agricultural Exports Major Countries of Destination by Major Commodity Groups Calendar Years 1950-1955

Fats, : an	on dollars -	270.0 251.0 179.0 87.0 3.0 221 467.0 326.0 212.0 121.0 40.0 240	304.4 245.5 251.2 72.3 8.1 190.2 .2 310.3 340.8 251.4 79.5 49.1 233.4 .7 493.5 303.1 295.0 81.2 71.7 264.7		21.0 $\frac{2}{5}$ 2.0 7.0 $\frac{2}{2}$ 55.0 2.0 6.0 $\frac{2}{2}$	5.1 39.6 6.3 2.3 5.6 0.2 14.9 5.7 66.4 8.5 3.0 7.6 0.5 22.7 5.1 60.3 5 0.5 22.7	77.8 14.0 1.2 6.9 1.3	1.0 $84.0$ 8.0 5.0 $\frac{2}{54.0}$	7.7 3/2.3 13.4 3/2.3 13.4 3/2.3 13.4 11.8 126.8 8.0 3/1.4 11.8 12.5 38.3 109.8 17.4 3/0.6 21.5
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Major Countries of Destination by Major Commodity Groups Calendar Years 1950-1955 (continued)

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rts	Commodity Groups
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U. S. Agricultural	Major Countries of Destination by Major Commodity Groups

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U. S. Agricultural Exports Major Countries of Destination by Major Commodity Groups Calendar Years 1950-1955 (continued)

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Major Countries of Destination by Major Commodity Groups

		Other				30.0	30.0	35.8	28.5	29.8	29.8
		FILVACE	products reliei 2/:	1		2.0	0.4	0.3	5.0	10.0	19.3
	•	ייייייי איייייי	roquets	-		16.0	20.0	12.4	7.11	18.0	7.42
(a)	ruits, :	nts and: _	vegs.			16.0	24.0	22.7	22.1	24.0	27.2
Calendar Years 1950-1955 (continued)	:Fats, oils:Tobacco,:Fruits, : Daim	u: -numun:	:oilseeds1/:factured:	- Million dollars		31.0	0.04	33.5	35.6	35.4	9.24
1950-195	ats, oils	and ,	ilseeds1/	Milli		14.0	33.0	20.7	26.1	46.5	56.3
idar Years	otton :F	and:	inters :c	1		81.0	39.0	22.0	10.4	19.4	17.5
Caler	Grains : Cotton	and:	preps. : linters	1		89.0	143.0	267.5	171.0	92.3	120.2
	••	Total :	••	1		279.0	333.0	414.8	310.1	275.3	4/342.3
	••	Country and year:	••		Other	1950	1951	1952	1953	1954	1955

Includes mainly lard, tallow, cottonseed oil, soybean oil, linseed oil, soybeans, and flaxseed.

2/ Less than \$500,000. 2/ Less than \$50,000.

Includes the following countries with 1955 values greater than \$12.2 million (1954 values in parentheses):

<i>~</i>	$\Xi$	7	80	[]	8)
15.1	14.2	13.5	13.3	12.9	12.4
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5/ Includes mainly dairy products and cottonseed oil donated by CCC to private welfare agencies for overseas distribution.  $\underline{6}/$  Includes mainly live animals, meats and meat products, eggs and egg products, hides and skins, feeds and fodders, field and garden seeds.



PENALTY FOR PRIVATE USE TO AVOID (PMGC)

UNITED STATES DEPARTMENT OF ACRICULTURE

MASHINGTON 25, D. C.

Official Business



## FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 18-56

June 21, 1956 SFP 28 1956

Cuban Production and Consumption of Fertilizers Increases

During 1954 and 1955, about thirteen fertilizer plants were in operation in Cuba, excluding several small hand-mixing plants scattered throughout the Island. In one plant, rock phosphate is treated to produce superphosphate, and in almost all the plants, ammonia solutions are used in the ammoniation of superphosphates.

Cuban production of mixed fertilizers during the calendar years 1954 and 1955 was as follows:

1954	 126,108	short tons
1955	 164,775	short tons

The variations between the quantities of fertilizer materials imported and the production of mixed fertilizer are accounted for by small carry-overs from the previous years, by the use of from 15 to 20 percent of local materials, such as tankage, standard filler (mostly sand and calcium carbonate), etc., and by an increase in the production of superphosphate from rock phosphate.

According to the statistics of the Cuban Ministry of Agriculture, the quantities of fertilizer sold to the farmers and the crops on which they were used during the calendar years 1954 and 1955 were the following:

Crop	1954 (Shor	1955 t tons)	Per	cent
Sugar Cane	24,692	45,991	+	86
Tobacco (incl. tobacco seedbeds)		38,966	+	4
Potatoes	21,180	25,380	+	20
Vegetables (except truck)	13,568	15,208	+	12
Fruits (mostly citrus) Truck garden vegetables	3,328 549	3,365 825	++	1 50
Pineapples	1,983	2,366	+	19
Rice	31,597	36,137	+	14
Others	4,179	4,847	+	16
Total	138,585	173,085	+	25

Table 1. - Cuban Imports of Principal Fertilizer Materials and Mixed Fertilizers, 1953, 1954, and 1955

1955 1	% from U.S.	1	66	98 80	8.66	22	&	77	99.7	100	95	100	100		100	77	9	81		100	100	100	100	100	100	100	100
	Quantity	Short Tons	191	70 <del>7</del>	1,059	31	236	777	914	69	17	31,783	2/ 9,921	ı	20,733	000,9	5,589	10,987	•	9,147	2,481	77	6,187	248	191	125	565
7 5 4	% from U.S.																										
1 9	Quanti ty	Short Tons	109	88	80	13	229	133	371	1,1	73	24,374	2/ 22,046	ı	20,226	4,350	2,779	4,778		13,100	2,702		1/2,756	1/ 331	17 132	1,213	$\overline{4}$ 220
953	% from U.S.																										
7 5	Quantity	Short Tons	885	18	88	138	945	133	328	77	8	788,6	17,637		11,336	9,254	912	4,518		te) 4,344	168	ı	11/2,425	T/ 220	五/ 99	1/ 331	Magnesial 165
	Commodity		Anhydrous Ammonia	Ammonium Salts	Potassium Chloride	Potassium Sulphate	Sodium Sulphate	Magnesium Oxide	Borax	Diammonium Phosphate	Ammonium Nitrate	Ammonium Sulphate	Calcium Phosphate	(Phosphate rock)	Calcium Superphosphate	Potassium Nitrate	Sodium Nitrate	Potassium Sulphate	(Less than 97%)	Potassium Chloride (Muria	Monoammonium Phosphate	Diammonium Phosphate	Nitrogen Solution 3/	Nitrogen Solution 5/	Nitrogen Solution 5/	Nitrogen Solution 7/ 4/	Sulphate of Potash - Magn

Table 1 (Cont'd) - Cuban Imports of Principal Fertilizer Materials and Mixed Fertilizers, 1953, 1954 and 1955

1955 1/	% from U.S.	100 74 100	4,718	78
H	Quantity Short Tons	15,883 1,614	124,194	89
1954	% from U.S.	88 88 8	4,585	29
	Quantity Short Tons	969 112° 118 95 /4	120,092	77
1953	% from U.S.	37 26 31	2,602	65
1	Quantity Short Tons	1, 45 1,245 1,067	69,501 ars)	72
	Commodity	Urea Chemical Fertilizers Natural Fertilizers (Organic matter)	Grand Total Total Value (1,000 dollars)	Percentage of U.S. Share

1/ Subject to revision.

/ Estimated.

Ammonia solution in which ammonium nitrate has been dissolved.

Estimated; these fertilizer materials were not classified separately in official statistics

Ammonia solution in which sodium nitrate has been dissolved. prior to May, 1954.

Ammonia solution in which a combination of sodium nitrate and urea has been dissolved. Ammonia solution in which urea has been dissolved.

Most of this increase was the result of wider use of fertilizer on sugar cane. Although no fertilizer is used on the major part of the sugar cane acreage, it has become necessary in some areas to use fertilizer to maintain or increase yields.

During the calendar years 1954 and 1955, the most commonly used formulas of mixed fertilizer, by principal crops, were as follows:

SUGAR CANE	RICE	TOBACCO	TOBACCO SEEDBEDS	POTATOE	S TOMATOES
10-10-5 8-10-5 10-8-5 10-10-3 10-12-5 12-10-5	10-20-6 17-14-14 12-24-6 12-21-8 10-30-5 8-16-6	5-8-9 6-12-8 6-8-8 5-8-8-3 5-8-10-2 6-8-10-3	3-8-3 4-9-4 4-8-4	7-9-8 7-11-8 6-10-8 5-8-10 5-8-8	6-8-8
CUCUMBERS	PINEAPPL	ES CITE		GARDEN TABLES	PLAINTAINS & BANANAS
6-10-10 6-10-8 6-8-10 8-10-10 10-8-8	0-8 8-10-12 6-10 8-10-16 0-10 8-10-14			8 <b>-3</b> 8 <b>-</b> 6	14-10-5 8-8-8 10-10-5

While Cuba imports only a limited amount of mixed fertilizers, it does import practically all the raw materials employed by local industry in fertilizer preparation. Although Cuban foreign trade statistics show separately only a limited number of the primary fertilizer materials, they provide a fairly accurate picture of Cuba's requirements for raw materials, commonly used in mixing ordinary complete (NPK) fertilizers, as differenciated from the imports of mixed fertilizer for which there still appears to exist a relatively good demand in Cuba.

Imports of fertilizer material and mixed fertilizers, as well as Cuban consumption of fertilizers, are expected to increase in 1956 as compared to 1955. Wider use of fertilizer on sugar cane will probably account for the major part of the expected increase.

NOTE: Prepared for publication in the Latin American Analysis Branch, Foreign Agricultural Service.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D.C.

FATP 19-56

July 18, 1956

INDIA'S AGRICULTURAL POLICIES AND PROGRAMS THAT MAY AFFECT UNITED STATES TRADE IN AGRICULTURAL PRODUCTS

### Introduction

During the past year the principal interest in the economic field in India has been the completion of the First Five Year Plan and the launching, on April 1, 1956 of the Second Plan. Methods of implementing these plans influenced all other activities. The policies and programs in agriculture, as well as of other sectors of the Indian economy, were shaped and moulded to fit the targets and ambitions of the first and second Five Year Plans. To fully understand India's agricultural policies and programs one must also bear in mind that the aim of a "socialistic pattern of society" has been adopted to which the economic policy of the country is being shaped.

With certain modifications and change of emphasis from agriculture to industrial production, the Second Five Year Plan is essentially an enlargement of the First. Old policies and programs in agriculture, evolved during the course of the past five years are to be continued and strengthened during the Second Plan period, while new ones will be formulated to fit the needs of the country. Those needs are determined by the rapidly advancing movement from a feudal, rural economy toward the first beginning of an industrialization period at which the development program under the Five Year plan is aimed.

## Agricultural Trade

Major policy with respect to agricultural trade, which was adopted in the light of the development program, was changed very little during the past year. There were, however, two distinct changes in the operation of the policy which were in opposite directions. The first was a tightening of imports and relaxation of exports of certain agricultural products resulting from the confidence in local production as a result of the good harvests of 1953/54 and 1954/55. During most of 1955 supplies of food, particularly grain, appeared to be ample and prices which remained fairly stable were within the reach of the low wage earner. Government officials spoke of self-sufficiency of the main food items, foodgrains, sugar, etc. Imports of foodgrains declined from 905 thousand short tons in 1954 to 784 thousand tons in 1955. Sugar imports were substantially smaller. Cotton imports also were reduced. On the other hand, there was an increase in the import of drugs, medicines, instruments and appliances,

milk products, provision and oilman stores. Liberal exports of agricultural products, vegetable oils, cotton, tobacco, pepper, tea, and cashew nuts were permitted to be made during 1955 as in the preceding year.

Before the end of the year prices reacted upward as more money became available from the deficit financing in the last year of the First Five Year Plan and the development program started showing definite signs of rapid progress. By the end of the year there were unmistakable signs of increased consumer demand and during the next few months it became increasingly apparent that more food, cloth and other consumer goods were needed to satisfy an increasing demand and counter inflationary tendency. At the same time, the results of the grain sorghum and cotton harvests were disappointing. Prices rose steadily for food, cloth, and other consumer goods.

In an effort to curb the price rise and provide the necessary supply, the government was forced to release grain from its central stocks and to make heavy purchases from abroad, to ease import restrictions on raw cotton, and to tighten its reins on exports of certain agricultural products. Exports were tightened for vegetable oilseeds and oil, grains and grain products.

## Trade Regulations

India's foreign trade policy may be described as one of permitting carefully selected imports and of progressive relaxation of controls over exports,
along with organized export promotion of specific commodities. It includes
rather liberal provisions for imports of essential raw and semi-manufactured
materials not available in sufficient quantity from indigenous sources such
as raw cotton, jute, raw wool, and chemical fertilizers. It allows large
imports of transport equipment and machinery for the railways but provides for
tight control over such items as automobiles, bicycles, non-essential items,
and consumer goods that can be produced economically in the country.

Indian foreign trade is controlled by means of quotas and licensing, which include quantitative and destinational restrictions. Tariffs and duties are used only as a subsidiary means of trade control and to earn revenue for the Indian treasury. Trade agreements play a part in determining the volume and direction of trade and barter is occasionally practiced, although for agricultural products no barter arrangements were entered into during the past year.

#### Licensing and Quotas

All imports and exports are subject to licensing, except those coming under open general license or made on government account. Export control is exercised on a relatively few commodities which are in short supply, but most of the agricultural items fall under the controlled category. Quotas are established for imports and exports of certain items and for individual importers and exporters. Licenses are used also to control the direction of trade to or from various countries or regions.

Changes in licensing of raw cotton imports during the past year reflected the change with respect to the supply position. Quotas announced during the 12 month period beginning June 1955 permitted a total of 590,000 bales (400 pounds gross) of cotton to be exported from India. This quantity included two special allocations of cotton for export to China. They were announced during August 1955 and consisted of 30,000 bales of 26/32" staple length and 10,000 bales of 25/32" staple length. On September 13, 1955 the Government of India announced its decision to permit free licensing of exports of the Assams, Comillas, zoda cotton, cotton pickings and sweepings during the period September-August, 1955-56.

On the imports front, the Government of India on September 14, 1955 stopped the issuance of licenses for the import of cotton stapling 1-1/4" and above from the non-dollar area. However, on December 12, 1955 licensing of imports of raw cotton of staple length not less than 1-1/16" from the non-dollar area was resumed. These imports were permitted against prior sales to mills on importers account on evidence of purchase from overseas shippers. Imports of cotton stapling 7/8" and above from Pakistan were permitted effective February 15, 1956. On April 10, 1956 the Government of India announced its decision to permit imports from both dollar and non-dollar areas of cotton stapling 7/8" to 1-1/16" subject to a ceiling of 40,000 bales. Licenses for the latter imports were to be issued in favor of mills and importers on the basis of 'first-come-first served' basis.

A similar pattern will be seen for grains and pulses. Exports of rice were permitted for the first time after 12 years in November 1954 and an export quota of 224,000 short tons was set up for export by the extended date of March 31, 1956. However, in view of the rising trend of grain prices in the country, rice exports were banned effective January 20, 1956. Exports of wheat have never been allowed. Export of wheat products, such as atta, flour, sooji and rawa, were liberalized the middle of 1955 but an embargo was placed on such exports effective January 31, 1956. An export quota for corn was set up on August 8, 1955 but in line with the Government's revised policy corn exports from India were banned on January 1, 1956. Jowar (grain sorghum) exports were licensed freely during the last half of 1955 but a ban on exports was imposed on January 23, 1956. Free licensing of pulses, including chickpeas and chickpea flour, was allowed during the last half of 1955 and during the month of January 1956. Effective February 6 export of all pulses was banned.

There are no imports permitted for vegetable oilseeds and oils, except for copra, coconut oil, palm oil, and tung oil. Likewise, exports of most of the oilseeds, namely, castorseed, copra, cottonseed, linseed, mustardseed and rapeseed are not allowed. Peanuts, sesame seed, kardiseed and nigerseed, however, are permitted for export on a restricted scale. The exports of vegetable oils are generally encouraged and, with a few exceptions, free licensing is followed. In 1955 the licensing and export allocations were more liberal than in previous years. However, in March and April of 1956 export and excise duties were imposed or increased to curtail exports and ensure adequate domestic supply.

On November 11, 1955 the Government of India announced its decision to withdraw the concession for the grant of ad hoc import licenses which were

intended to stimulate the export of low grade Indian tobacco under the Export Promotion Scheme for Tobacco. The reason for this decision was that the accumulation of stocks of low grade flue-cured Indian tobacco of pre-1954 harvest had been almost exhausted.

On August 26, 1955 exports of wool of an unspecified additional quantity were permitted until the end of October 1955. Allotments were to be made only to exporters that had already shipped their April-September 1955 quotas. The October-March, 1955-56, quota for established shippers was released on October 21, 1955 equivalent to 45 percent of a wool exporter's basic exports. There was an additional small amount for newcomers. The April-September 1956 quota, released on April 2, 1956, consisted of 35 percent of the basic exports in the case of an established shipper and the equivalent of the October-March 1955-56 shipments of a newcomer.

As a result of the increased production and larger supply of sugar in the country, free licensing of cane jaggery, cane jaggery powder, and palmyra jaggery exports to all permissible destinations was continued during the past twelve months.

Exports of tapioca globules during the last half of 1955 were controlled by means of quota releases. Accordingly a quota of 6,600 short tons was released for export on July 18, 1955. Effective January 1, 1956 this item was placed on Open General License for purposes of export. Free licensing of exports was resorted to effective March 8, 1956 which according to the official announcement will continue up to the end of June 1956.

## Tariff Changes

The export duty on raw cotton was reduced on July 1, 1955 from Rs. 150 (U. S. \$31.50) to Rs. 125 (U. S. \$26.25) per bale of 400 pounds (gross) and on August 4, 1955 from Rs. 125 (U. S. \$26.25) to Rs. 50 (U. S. \$10.50) per bale. On September 13 the export duty on zoda cotton (yellow pickings and sweepings) was reduced from 30 percent ad valorem to Rs. 50 (U. S. \$10.50) per bale.

For tobacco the excise duty on old stocks of Bidi was reduced from As.  $10\frac{1}{2}$  (U. S. 14 cents) per pound to As. 7 (U. S. 5 cents) per pound on July 28. This was intended to clear the accumulation of stocks of the 1952-53 production of the inferior grades. However, on January 1, the excise duty was increased to As. 14 (U. S. 18 cents) per pound, the rate that had existed prior to April 1954 when it was reduced to As.  $10\frac{1}{2}$  (U. S. 14 cents) per pound. At the same time flue-cured scrap known as "choora" was excepted from excise duty in excess of As. 14 (U. S. 18 cents) per pound.

With regard to vegetable oils, most of the changes in the export duty have been upward. On August 10, 1955 the export duty on peanut oil was increased from Rs. 100 (U. S. \$21.00) to Rs. 150 (U. S. \$31.50) per ton. On March 1, 1956 a new excise duty of Rs. 70 (U. S. \$14.70) per ton was levied on all vegetable oils. On April 10 new export duties were levied on linseed oil,

at the rate of Rs. 250 (U. S. \$52.50) per ton, and on nigerseed oil and kardiseed oil at Rs. 200 (U. S. \$42.00) per ton. At the same time the export duty on castor oil was raised from Rs. 125 (U. S. \$26.25) to Rs. 175 (U. S. \$36.75) per ton. The excise duty on cottonseed oils was reduced on April 18, 1956 from Rs. 70 (U. S. \$14.70) to Rs. 35 (U. S. \$7.35) per ton.

For manufactured jute goods, export duties were abolished on August 1, 1955. The export duty on coffee was abolished on June 29, 1955, but an excise duty and an export duty was imposed on August 1, 1955. On September 20, 1955 the export duty on black pepper was abolished. The rate of duty just before this was 15 percent ad valorem.

#### Bilateral Agreements

During the past year the trend in Indian foreign trade has indicated more clearly than before a preference by the Government for bilateral agreements. New agreements involving agricultural products were made with eight countries, while ten old agreements were extended. The bilateral agreements also indicate a tendency toward increased trade with the communist bloc. India now has agreements involving agricultural products with eight communist countries, including Yugoslavia.

#### Trade on Government Account

Imports of certain agricultural or related products such as foodgrains, sugar, and fertilizers are entirely on government account. There is considerable agitation on the part of the trade for a change of this policy but it is unlikely that the Government will be willing to relinquish its monopoly to the private trade, particularly while indigenous prices are such that imports must be subsidized. Previous malpractices among the trade are said to be responsible also for the government's action in this regard. On the other hand tradespeople and the flour industry maintain that the present system of government buying is inefficient in that it does not permit proper selection of types of grains for blending purposes. The government also is accused of mismanagement of failing to make purchases when prices are favorable and failure to provide adequate stocks.

#### Regional Control

Regional control of trade is practised by the Government of India, particularly in the case of the dollar area. Many items are not allowed to be imported from the dollar area as a means of conserving dollars for purchases of industrial items needed for the Five Year Plan. Although there was a favorable dollar balance during the past year, very little relaxation in the restrictions on imports of agriculture products from the dollar area is expected. The recent agreement with Burma for the purchase of some 2.2 million tons of rice over a 5 year period and wheat purchases from Australia totaling more than 650,000 tons were advantageous from the point of view of obtaining supplies at reasonable prices but illustrate also the interest of government in directing trade to this region.

#### State Trading Corporation

A State Trading Corporation was established a few months ago. It is not yet clear what the functions of this new organization will be except that it will be used to help regulate and facilitate local as well as foreign trade. It may be used also to help control internal prices and prevent excessive inflation. Its primary purpose may be to facilitate government to government trade, especially with Communist countries.

Although private traders are worried that the State Trading Corporation might eventually monopolize much of the trade, so far only a few agricultural products have been effected. A recent sale of coffee to the Soviet Union was said to have been made through the Corporation. There are rumors also that certain exports of tea, jute products, pepper, cashews and other commodities may be handled through the Corporation. It is believed that it might also control imports and distribution of certain other agriculture products, such as tobacco.

#### Export Promotion

Various export promotion councils have been set up to promote exports. The activities of these councils are to conduct export drives which, for such items as cotton, rayons and silk textiles, cashew nuts and tobacco, include the opening of showrooms in foreign countries where the products can be exhibited.

Promotion of exports will be intensified in the Second Five Year Plan in an effort to earn foreign exchange to buy the things needed to implement the Plan. Agricultural products that will be pushed especially are tea and jute goods which are the principal earners of foreign exchange. Last year exports of tea fell short of expectation, while jute goods prices were so low that total earnings were small. Some agitation was made for establishment of a price floor for jute goods under which exports would not be made. However, it was felt that this might mitigate against the Indian export market by encouraging exports from other competing countries.

### Production and Market Regulations

Government controls over the domestic production and marketing of agricultural commodities in India are of an indirect, rather than a direct, nature. There are no restrictions or controls over the acreage devoted to individual crops, except that in some areas farmers are required as a condition for receiving irrigation water, to plant a certain amount of acreage with wheat. With the exception of cotton and sugarcane, there is no direct price control. Cotton has a floor price of Rs. 495 (U. S. \$104.00) per candy and a ceiling price of Rs. 820 (U. S. \$173.00) per candy (784 lbs.) for basic variety - Jarila 25/32 inch staple and fine grade. The minimum price for sugarcane is Rs. 1/7/0 (U. S. 30 cents) per maund (82.28 pounds).

During the spring and summer of 1955 the Government had a limited price support program in effect for foodgrains. This resulted in a minor amount of purchases of domestic grain for Government account. A similar program has been in effect this season but open market prices have remained considerably above the Government's support-purchase price and no purchases have been made. Since India very seldom exports any foodgrains, the policy of price-support is primarily of domestic significance.

A certain amount of supervision has long been exercised by local authorities over markets in their jurisdiction. More systematic regulation by the State is relatively recent. Not more than eight States appear to have passed legislation for the regulation of markets. The object of the establishment of regulated markets is mainly to counteract evils such as unauthorized market charges and incorrect weights and measures. While standards of marketing have improved in most of the relatively few regulated markets which have been established, a number of malpractices still exist.

#### Agricultural Development Programs

Agricultural production targets in the Second Five Year Plan call for an increase in the annual output of 18 percent by 1960/61. Based on 1949-50, the production index goal in 1960-61 is 135, compared with an estimated 115 in 1955-56. Foodgrain production, including coarse grains and pulses used for food, is to be increased by 15 percent. This would make it possible to increase consumption by one ounce per adult per day if the level of imports is maintained at about the present level.

Cotton production is expected to be increased by 31 percent, sugar by 22 percent, oilseeds by 27 percent, while the production of tea and jute are to be increased by 9 and 25 percent respectively. This is to be accomplished mainly through increasing the irrigated area by 31 percent from 67 million acres to 88 million, and by increasing the application of nitrogenous fertilizer from about 685,000 short tons in 1955 to 2 million tons by 1960/61. Land reclamation and improvement projects covering 3.5 million acres are to be undertaken. In addition better farming practices, including the use of better seeds, will be encouraged and aided mainly through the Community Development and National Extension programs. Unlike the first Five Year Plan which dealt almost exclusively with increasing the quantity of food, the Second Plan will encourage quality improvement of the diet through increases in the production of protective foods, fruit, vegetables, milk and eggs.

The stated principal objective of the second plan is rapid development of India's industrial potential, in contrast to the first plan's main aim of attaining self-sufficiency in food. The shift in emphasis, however, does not mean that expenditures in the rural sector will be reduced. On the contrary, such planned expenditures during the second plan are half again as large as those provided in the first plan.

## Land Policy

Much has been said during the past few years about the land policy in India. Although considerable emphasis has been placed on the social aspects, land policy is aimed first at encouraging maximum output of agricultural produce and, second,

toward bringing about land redistribution wherein farmers own and operate land units sufficiently large to provide adequate incomes for the farmers and their families. The policy includes both consolidation of small plots of land and limitation of land holdings of large estates. Land consolidation is expected to be accomplished both by reorganizing small and uneconomic holdings through cooperatives and exchange of comparable plots of land by individual cultivators. Ceilings on land holdings and the abolition of intermediary tenures through legislation in the various States is intended to effect a better distribution of land and bring about social justice. In addition the land policy calls for tenancy reforms and regulation of rent to prevent exploitation of tenants.

#### Outlook

The degree of success which may be attained in realizing the agricultural production targets of the Second Plan can only be speculated upon at the present time. There is wide agreement among qualified observers that the scope of the Second Plan is overly-ambitious in terms of available financial resources—both internal and external. There is equally wide agreement, however, that in terms of India's need of rapid social and economic development the Plan is quite realistic.

It safely may be assumed that the Government of India will make every effort fully to implement the Plan. One may also assume that, should total available financial resources fall short of the scheduled total outlay, planned expenditures in the rural development sector may suffer relatively less than other sectors of the Plan. For despite the increased emphasis on industrialization, the necessity of further increasing the output of food and fiber remains a high priority.

The agricultural targets are designed mainly to bring about self-sufficiency in food and provide the raw products needed for India's large textile industry. Emphasis is placed also on items that earn foreign exchange; tea, jute, cotton, vegetable oilseeds, coffee, pepper, cashews and other special crops. Due to increases in population and larger per capita purchasing power, increased consumption of food and fiber during the next few years should absorb the increased production of grain and cotton. Furthermore, improvements in the now very deficient diet to provide more fruit and vegetables, eggs and poultry, milk and other dairy products, and some luxury items now almost non-existent, could absorb any potential increase in agricultural production. It may be expected, therefore, that even if the agricultural production targets are largely attained by 1961, India's relative self-sufficiency in such commodities may vary little from the current situation.

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## BORBICH ACRICULTURE ORGULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 20-56

July 25, 1956

#### AGRICULTURAL POLICY AND PROGRAM DEVELOPMENTS IN PAKISTAN

Introduction: In Pakistan agriculture is the very basis of the country's economy. About 60 percent of the national income is derived from agriculture, nearly 75 percent of the civilian labor force is engaged in farming and 90 percent of the people living in villages are dependent directly or indirectly on agriculture. Also, nearly 95 percent of the total foreign exchange earnings is acquired by the export of farm products. Consequently practically all significant policy developments are of direct concern to the country's agriculture.

Developments of particular significance in 1955-56 include: (1) release of the draft of the First Five-Year Plan; (2) unification of all regions of West Pakistan into one province; (3) devaluation of the Pakistan rupee; and (4) adoption of a national constitution. There were few significant changes in price supports, state trading, and import controls and tariffs. Developments with respect to agricultural products supplied to Pakistan under P. L. 480 are of particular significance to U. S. agriculture.

First Five-Year Plan: The draft of the first Five-Year Plan, on which the Planning Board has been working for about two years, was released to the public in May 1956. The Plan calls for a total development expenditure during the five year period ending March 31, 1960 of Rs 11,600 million (U. S. \$2,442 million). Financing from domestic sources is expected to be available to the extent of Rs 7,400 (U. S. \$1,558 million), leaving a gap of Rs 4,200 (U. S. \$884 million) to come from foreign sources. The Planning Board expects that foreign investment will reduce this gap by about Rs 400 million (\$84 million) and the hope is expressed that the balance of Rs 3,800 million (U. S. \$800 million) may be made available in the form of foreign aid and loans.

Among the main targets included in the Plan are increased production of foodgrains, a large expansion of land under irrigation, extension of the Village-Aid program to 26,000 villages which will include about one-fourth of the rural population, a net increase of 580,000 KW in generating capacity which will mean a total capacity in 1960 of about 860,000 KW, 250,000 new housing units of which 100,000 will be for refugees, an increase in industrial production of about 70 percent and a substantial increase in foreign exchange earnings.

The Plan calls for an overall increase in foodgrain production of 13 percent. The targets for individual grains are: rice 11 percent, wheat 17 percent, corn 25 percent, grain sorghums 14 percent, and barley 13 percent.

The Plan provides for an increased production of pulses of 10 percent, oilseeds 29 percent; fruits 14 percent, vegetables 23 percent, and sugarcane 38 percent. The other major agricultural production targets are tea 15 percent, tobacco 16 percent, jute 15 percent, and cotton 38 percent. Exports of the latter two commodities account for the bulk of Pakistan's foreign exchange earnings. It appears questionable whether Pakistan will be able to achieve the substantial increases in agricultural production envisaged in the Plan. Considering the steady increase in population (1.25 percent per annum), it appears that for some years Pakistan's food position will continue to depend upon the vagaries of nature.

The targets call for 1,174,000 acres additional area to be cropped in 1960 in major irrigation project areas. Of this total 1,034,000 acres would be in seven projects in West Pakistan and 140,000 in one project in East Pakistan. When the irrigation projects in the Plan are completed 4,900,000 newly irrigated acres will be added to the area in crops. Of this total, 4,641,000 would be in West Pakistan and 259,000 in East Pakistan.

Unification of West Pakistan: All the regions of West Pakistan have been unified into one Province. It has been less than a year since the unification plan came into existence. Not only does the new Province of West Pakistan not yet have a stable government, its administrative machinery, including the Department of Agriculture, is still in the process of evolution. be fair to judge its performance and capabilities at this stage. However, on a long-range basis, the new setup is bound to have a tremendous impact on agricultural production. For instance, it will be possible to plan and develop specific types of agricultural production on a regional basis depending upon the suitability of the area with better control and regulatory measures. A case in point is cotton production in the country. Ever since the creation of single variety communities in the Punjab and Bahawalpur Divisions in 1949-50 with restrictions on movement of seed cotton in order to avoid varietal mixtures at the gins, the plan has not succeeded too well because of some of the other cotton growing areas not cooperating. Moves are afoot now to promulgate a Cotton Control Act for the entire West Pakistan Province.

Uniform land and water tax policies; irrigation development and flood control measures; soil surveys; crop protection; food production; storage and marketing programs are all being thought of and will perhaps find practical expression during the next five to ten years if not in the immediate future.

Currency Devaluation: On July 31, 1955 the Pakistan Government took the decision to devalue her currency by 33 percent, thus bringing it in line and at par with that of India. The decision was described as a "deliberate and calculated action" and not forced by circumstances. It was said that the country has achieved a semi-industrial basis and her undevalued currency might hamper her foreign market development. While the accuracy of the contention may be debatable, it is true that Pakistan's agricultural products did become cheaper in foreign markets (although this price advantage was partly offset by export duty increases) and their rupee values at home increased correspondingly.

The Constitution: The Constitution of Pakistan, adopted in the spring of 1956, makes agriculture a provincial responsibility and is silent on the central organization. Although agriculture has always been a provincial subject, a sizable organization has been functioning under the Ministry of Food and Agriculture at Karachi. Apparently no drastic changes are being contemplated in the present set-up in the near future. The attitude of future governments may not be possible to predict but some sort of policy-making and coordinating organization is apt to continue at the center.

Price Supports: Direct price supports for farm products do not exist in Pakistan. Indirect price supports are currently available for two commodities only. These are the fixed prices which the government will pay for wheat in West Pakistan and for rice in East Pakistan. These are arbitrary prices which vary from year to year depending upon foodgrain availabilities in the country. They bear no relationship with the cost of production or the concept of parity. They are also fixed when the main grain crops have been gathered. This point is important because as far as the primary producer is concerned, these floor prices do not enter into his production plans at all.

State Trading: As far as foreign trade is considered there are at least two items which affect U. S. trade in agricultural products. These are imports of sugar and exports of rice.

Sugar: The government has total control, both on imports of refined sugar and internal distribution, including that produced in the country. The private trade has, time and again, criticized the government policy in this regard pointing out the high cost to the consumer, but the government does not consider it safe to leave it to the private trade, and no change is expected in the near future.

Rice: For the first time Pakistan exported West Pakistan grown rice in appreciable quantities (202,427 short tons from July 1955 to May 1956). Trade in foodgrains has been subject to government control but some measures were relaxed earlier in the year to give a chance to the private trade. Later on when food shortages in the Eastern Wing were much too evident, this relaxation was withdrawn. However, it may be noted that over 90 percent of the total shipments were on government account.

Import Controls and Tariffs: There have been, during the past year, little changes in the overall policy on import controls and tariffs. The two commodities that were affected by changes in tariffs were:

Cottonseed Oil: Enhancing the import duty on the cottonseed oil has resulted in raising the price of imported oil and thereby directly affected the possibility of increased imports from the U.S.

Tobacco: The GOP enhanced the rate of import duty on unmanufactured leaf by 20 percent. This constituted a direct restriction on U. S. leaf being used by tobacco manufacturers in this country. However, the government later reversed this decision and returned to the old rates.

P. L. 480 Products: Public Law 480 and the U. S. Government's economic aid to Pakistan have helped a great deal to make it possible for Pakistan to import for the first time a number of U. S. agricultural products. It is felt that the introduction of these products may provide the experience for future market development possibilities in Pakistan. The following discussion deals with the overall impact and acceptance of the U. S. agricultural products received by Pakistan:

Cotton: Pakistan used to import between 6,000 and 10,000 bales a year of Sudans, East Africans and/or Egyptians for use by her East Pakistan mills. Last year's imports of 18,000 bales of U. S. cotton were a totally new experience. While the American-Egyptians were used by the East Pakistan mills, the rest of the Uplands were taken by West Pakistan mills. It was discovered that after the initial difficulties the imported cotton was put to good use. This initial acceptance has definitely put U. S. cotton in a favorable position with the mills.

Tobacco: Pakistan has a growing cigarette industry and traditionally uses U.S. leaf for its higher priced cigarettes. With more intensive market development efforts, there are definite possibilities for further expansion. The government's general policy is to use, as much as possible, domestic grown leaf. To achieve this end there are high tariffs which price out the imported leaf in competition with the locally grown. Quality of American leaf will perhaps continue to be of fundamental importance, and U.S. exporters cannot be too careful in this regard. This point is being emphasized because in the past some importers received poor quality and unsuitable samples.

Ghee: Pakistan will import U. S. ghee this year, which will be for the exclusive use of the armed forces. Butter oil imported under the emergency relief program was made available for civilian use. The experience has proven beyond doubt that U. S. ghee should find a ready market in Pakistan.

Cottonseed Oil: Although the quantity of cottonseed oil imported from the U. S. under Title II, P. L. 480 was modest and was brought in on the request of the government in order to check the steeply rising price of the domestic product, it was met with opposition from the local trade. It is true that Pakistan, speaking as a whole, is short of its edible fats and oils requirements. Regionally, this shortage is confined to East Pakistan, which has not been able to produce its own requirements. Part of West Pakistan's produce is shipped out to the Eastern Wing and this causes shortages in both areas.

There is no data available to prove it, but there is a contention that cottonseed which was in the past fed to the cattle or wasted, is now being increasingly crushed in the country and is more than sufficient to meet the country's requirements.

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UNITED STATES DEPARTMENT OF AGRICULTURE

/// FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D.C.

FATP 21-56//

July 31, 5 1956 //

Peru: The Drought Affects Food Production and Supplies, 1955 and 1956 1/

# Introduction

One of the most significant developments in Peru during 1955 was the beginning of the worst drought in the country's history. Production of domestic products was affected by the drought in several areas of Peru. Prospects for the 1956 harvest in the Central and Southern Andes, the latter being the most critical area, reveal a sharp reduction below a year ago with the early harvest, considerably reduced, especially of potatoes, other vegetables, grains, and fruits. In the tropical rain forest area, where crops are dependent on natural moisture, the drought not only affected the crops of corn, sugarcane, vegetables and fruits used by the population, but the coffee, tea, cacao, and tobacco sold in other markets throughout the country or exported. In the irrigated valleys of the west coast, the effect of drying rivers was most severe on rice where water came too late for timely plantings, and on the fruit and vegetable gardens of small planters. Possibly more significant than the decline in crop production, in the long run, is the critical loss of about 30 percent of the livestock in Peru's primary pasture areas and the almost irreparable damage to some extensive mountain ranges already over-grazed.

The sharp reduction in supplies of domestic food for 1956 has resulted in some increased demand for commodities from abroad. A part of this demand will be met through the emergency Public Law 480 program, announced May 5, 1956 and the regular Title I, PL 480 program signed May 7. Even with the proposed programs, foodstuffs will be scarce, especially in much of the Andean area. Domestic production of most commodities in the drought area, however, should be restored to previous levels by 1959, except that meat and milk shortages may persist beyond that time.

# Current Overall Production

The year 1955 witnessed a slight increase over a year ago in Peru's production of grains and other starchy foods, but it was insufficient to prevent the need for sharply increased wheat imports to meet the rise in domestic

I/ Prepared in a form for publication by Constance H. Farnworth, Agricultural Economist, Foreign Agricultural Service.

consumption. There was also a sharp increase during 1955 in the production of potatoes and sugar, and moderate increases in beans, vegetables, and dairy and poultry products, but there was a decline in the production of red meats, fats and oils, and fruits.

The production of food for 1956 has been influenced by the drought, first felt in October of 1955, just prior to the season of heavy land preparation and planting. The drought spread throughout most of the Andean region and continued almost uninterrupted during the balance of the usually moist season, through April 1956, in the Southern and Central areas. need for replanting has virtually depleted seed supplies. The surviving crops, even in the Northern Departments, have been so delayed that frosts in the months of May and June undoubtedly further reduced harvests. A sharp reduction is expected in the production of all grains, potatoes and other root crops, beans, vegetables, and dairy and poultry products. The expected increase in imports of several of these items, plus some increase in meat and fat production will not offset the extent of the general production decline, and a sharp reduction in the per capita supply of food calories is anticipated. The decline in the per capita supplies of proteins and fats is expected to be somewhat less than for other foods because of the heavy slaughter of livestock, an expected increase in fish production, notably in the Puno Department, and the increase in cottonseed production. The preservation and rational distribution of meats, both seasonally and geographically. however. will be difficult.

# Crops

Grains. The production of wheat in Peru in 1955, now estimated at 6,136,000 bushels, was nearly 3 percent greater than in 1954 but slightly under the record production of 6,198,544 bushels in 1953. Production in 1956 is now forecast at 5,144,000 bushels, a decline from last year of about 16 percent, mainly as a result of the Andean drought (see Table I and II).

Peru is attempting to increase its wheat production but further progress in future years will be slow. The accessible areas of land suitable to wheat production are not only limited, but are generally suitable for such competitive crops as corn, barley and potatoes. With the exception of a possible slight increase in coastal areas, in rotation with cash crops, most of any increase will depend on the ability of Peru's farmers to increase yields. Stripe or yellow and stem rusts are the main check to yield increase. Since most of the wheat is produced by Peru's remote and small indigenous farmers, any change to new varieties and improved farming methods will necessarily be slow. Most of the Andean wheats are of the soft types. Not only does the indigenous population seem to prefer soft wheat but this type is better adapted to their primitive stone mills and food preparation processes. The quantity of wheat raised in the three most seriously drought affected Departments, especially Puno and Apurimac, is far overshadowed by the production of other grains and the usually ever dependable potato. Since wheat is far from universally used in the area, the shift from potatoes to wheat under the PL 480 food supply program implies both an opportunity and a challenge in developing a potential wheat market there.

The gradually increasing rate of barley production in Peru was continued in 1955, with the estimated output of 10,564,000 bushels, a new record. This is believed to have been mostly the result of an increase in acreage, some of which went into malting types (see Table I). Production in 1956 is expected to decline by 25 to 30 percent since a relatively large part of Peru's barley is grown in the drought affected areas of the Central and Southern Andes. Some decline is also expected in the Departments of Huanuco and Cajamarca.

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Corn is the most universally produced of the grains in Peru and most of it is used for human food. With the possible exception of barley, it also represents about the only whole grain used in the feeding of poultry and hogs. The production of corn in 1955, estimated at 11,181,000 bushels, reflects a decline from the 1,196,787 bushels officially estimated for 1954 (see Table I). In 1955, the decline in average yields was caused by unfavorable weather in important producing areas such as the Callejon de Huaylas (Ancash), where a long drought was followed by torrential rains. the Mantaro and other areas of Junin, where there were late freezes and the Cajamarca area where frosts were followed by drought. Corn production in 1956, now forecast at D,039,000 bushels, represents a decline of 12 percent from that in 1955. This decline is due to the relative importance of corn in the affected Departments of Cusco and Junin, where crop losses are expected to be appreciable. Declines also are expected in Huancavelica and Cajamarca, and in the Eastern Department of San Martin which was severely affected by the drought. In most other areas of the Sierra and Montana, corn production is expected to about equal that of a year earlier, while on the coast recent plantings may result in some overall increase.

Rice production in 1955 was curtailed by a shortage of irrigation water in the critical transplanting period from mid-December to late January. During the year, late season weather apparently was sufficiently favorable to produce a crop slightly greater than that of 1954, however, when cool weather prevented the full maturing of the crop. Production in 1955, estimated at 374.8 million pounds of milled rice, represented only a slight increase over the 370.3 million pounds of output in 1954. This was the result of increased yields, since some reduction in planted acreage is believed to have taken place (see Table IV). In 1955, as in 1954, the harvest was more than sufficient to satisfy the gradually increasing rate of local consumption, and there was an accumulation of inventories. The quality, however, was inadequate to enable sales in the export market at the prices reportedly asked by the rice marketing monopoly, and stocks at the beginning of the 1956-57 marketing year are expected to be at record levels. crop outlook for 1956 is definitely less favorable than in 1955. shortage of water in the transplanting season was somewhat greater than a year earlier. With many terraces only partly planted, there was not only a further reduction in area, but there was a heavy early growth of grass and weeds which further prejudiced any chance for full yields. Although present prospects are spotty, varying from valley to valley and farm to farm, the concensus is that the crop is likely to decline by about 15 percent from that of 1955, unless the weather in the late maturing season (late May and June) is exceptionally favorable.

Some of the decline in rice production since 1953 undoubtedly represents the effect of the rigid price structure that has prevailed for several years. While attempts to divert to cotton in the important rice producing section of the north coast from Chimbote to Chiclayo have met with only partial success, there has been some diversion to other crops. The diversion to cotton in some of the long established rice producing coastal valleys of Arequipa (notably Camana) has been more successful. On the other hand, rice production in the Amazon River areas, particularly around Yurimaguas and Pucallpa reportedly continues to increase. The total supply of rice probably will be sufficient for a slight increase in consumption in west coast markets during the coming marketing season (June 1, 1956 to May 31, 1957), partly because of the record stocks expected on June 1. There may be local shortages toward the end of the year, however, as inventories decline toward the point which the Government considers an essential minimum reserve (see Table V).

The production of quinoa and similar grains increased slightly in 1955 but has not recovered to the level of production reached in the years 1952 and 1953. With most of Peru's quinoa production located in the drought stricken area, output of this hardy grain crop in 1956 is expected to decline by 25 percent from that of the preceding year's crop of about 88 million pounds.

Vegetables. Potatoes represent by far the most important single item in the Peruvian diet, calorie-wise. Production in 1955, including white and related Sierra varieties, and sweet potatoes, reached a record level now estimated at 62 million bushels. Prices declined sharply and distribution was generally adequate. There is a general dependency, both of the Andean and coastal population, on the Andean potato production. pected decline in potato production in that area in 1956 therefore. is probably the most significant item affecting Peruvian food supplies in the current year. Total production of all potatoes in 1956 is now forecast at less than 40 million bushels, a decline of nearly 37 percent from the production of a year earlier. The reduction in the areas of the Andes is expected to be the combined result of drought, disease, and frosts. It is not vet known to what extent the decline in Andean production will be offset by the increased plantings now being made in Canete and other coastal valleys. With at least 70 to 80 percent of the Lima supplies normally coming from the drought stricken Mantaro region during the period June through early August, however, there are indications of an immediate shortage in coastal markets.

In bean production, it is believed that the "habas" (broad beans) of the Sierra will decline about in line with the decline in quinoa, or some 10 percent. Due to the relative unimportance of these areas in total bean production, however, and the fact that little or no decline is expected in other important areas, overall bean production is not expected to decline by more than 4 percent in 1956 from around 400 million pounds of all varieties in 1955. No significant change is expected in the production of coastal vegetables, since the shortage of irrigation water in some southern valleys (notably in Arequipa, Moquegua, and Tacna) is being at least offset by increased production in valleys of the central and northern coast. There is

probably a 20 percent decline in the Sierra production which, it is believed, normally accounts for at least 50 percent of Peru's vegetables, and a sharp decline in the Montana Department of San Martin. Vegetable production in 1956 has been estimated at about 419 million pounds, a decline of about 13 percent from that of 1955.

The decline in yuca (manioc) production, estimated at about 10 percent below that of a year earlier, is expected to be somewhat less than that for potatoes because of the relatively less importance of the Andean Departments in the production of this root crop. The declines are expected to be mainly in the Andean Departments of Huanuco, Junin, Liberstad and Lambayeque and in the Montana Department of San Martin, which has also been affected by continous drought.

Sugar. Sugar production in 1956 is forecast at nearly 780 thousand short tons of raw equivalent which represents a new record, approximately 3 percent over the previous record established in 1955. Sugar will continue to be available in ample quantities, presumably at prices which have long been in effect.

Fruit. The production of fruit in 1956 is expected to show only a moderate further decline (less than 5 percent) below the relatively small production of 1955. At least equal production is expected in the eastern Montana areas of Chanchamayo, Tingo Maria and Huanuco, but a decline is expected in coastal orchards (notably in Chincha, Canete, Lima, Huaral and Huacho) where pests and diseases have taken a toll. No change is expected in the northern coastal areas. There is no basis for expecting a change in production in the relatively unimportant orchards of the Sierras, many of which are irrigated.

# Livestock Products

Meats. Both production and supplies of meats are expected to be greater in 1956 than in 1955. The expected number of cattle slaughtered will be augmented by an estimated 150 to 200 thousand head of drought distressed cattle from the Andean region. There will be a sharp decrease in average weights of cattle from these important areas, however, and total beef production in 1956 is expected to be about 169 million pounds compared with slightly less than 148 million pounds in 1955. A similar increase is expected in lamb and mutton production where abnormal slaughter is estimated at about 1.3 million head. After allowing for a sharp decline in average weights and for heavy death losses, it is expected that the production of meat, from sheep, goats, Auchenia and other animals will total nearly 168 million pounds compared with barely 146 million pounds in 1955. Some decline is expected in pork production in spite of an increase in the total number slaughtered. The shortage of feed grains and concentrates which will prevail throughout the Andean areas and on the coast is expected to be followed by serious shortages in many markets before the end of the year.

Fats and Oils. Lard production is expected to decline in 1956 but the increase in cottonseed production may more than offset this decline. Peru's national position in fats may be only slightly less favorable than in 1955 when domestic production of lard totalled 8.9 million pounds and edible oils

a little over 51 million pounds.

Dairy and Poultry Products. Sharp reductions are expected in supplies of milk and dairy products in the Andean Departments from Junin to Puno. A reduction also is expected in the valleys supplying Arequipa as a result of the shortage of irrigation water. These declines are expected to more than offset increases in coastal production and of production in the Cajamarca area. A sharp decline is expected in butter production and some decline is expected in cheese, most of the decrease is products made from cow's milk. Declines are also expected in the production of eggs and poultry meats with shortages in Andean supplies more than offsetting an increase in production on the coast.

# Survey of The Drought Area

The summer growing season (October-March), 1955-56, has been the poorest in many years in some sections of Perubecause of the drought. By far the most serious cause has been the drought, which during the last months of 1955, involved most of the Andean region, many of the tropical Eastern rain-forest areas, and resulted in a sharply reduced river flow in many Western valleys. The Peruvian Departments of Puno, Cusco and Apurimac, Where over one million of the rural population and about 200,000 urban people live have been the most severely hit. This area is normally dependent for food on the potatoes, the grain (mostly barley and corn plus some wheat and quinoa), vegetables and beans and much of the meat and livestock which it produces. Little or no food is normally shipped into the area. A special survey of these Departments at the end of March revealed losses of 33 percent in cattle, 40 percent in sheep, 20 percent in swine and 30 percent in Auchenia, alpacas and llamas (see Table VI). Pasture conditions in these Departments were reported to be 40 percent of normal. According to the same special survey, the drought, and its related effects in disease and delayed harvests, has meant crop losses in this region of about 65 percent in potatoes, over 40 percent in barley, over 45 percent in corn, 40 percent in wheat and about 25 percent in quinoa (see Table VII). In addition, there undoubtedly have been severe losses in beans and garden produce. It has been further estimated, by using the year 1954 for comparison, that the drought loss in the three Departments amounted to over 13.2 million bushels of potatoes, 1.6 million bushels of barley, 850 thousand bushels of corn and about 440 thousand bushels of wheat. This represents a loss in wheat equivalent of 6 to 7 million bushels, in these four items alone. This excludes losses in other field and vegetable crops. By far the greatest loss in the area has been the loss in potatoes, estimated at a wheat equivalent of 4 million bushels. The possibility of obtaining potatoes and grains from other Andean Departments is clearly obviated by the fact that indications point to a combined additional loss of potatoes and principal grains equal to approximately 3.7 million bushels of wheat in these areas.

The most important losses in income from the area undoubtedly will be those related to the reduced sales of cattle and sheep for slaughter and of wool. There will also be some reduction of cash returns from sales of dairy and poultry products.

While no special survey has been made of livestock conditions in the adjacent or similarly affected Departments of Arequipa, Moquegua, Ayacucho, Huancavelica, Junin and Pasco, there is evidence that livestock losses are nearly as severe in some sections of these States. On a great many small indigenous farms the loss of livestock has meant a loss in farm power (provided by oxen), transportation and income as well as in meat, milk and clothing.

# Import Picture

Peru is dependent upon outside sources for several of the basic foodstuffs to supplement domestic supplies, particularly grains, fats and oils and dairy products.

Imports of wheat and flour into Peru increased sharply in 1955 because wheat inventories were relatively low at the beginning of the year and wheat was made available under the PL 480 program. This not only made possible a sharp increase in consumption, but an accumulation of needed reserves by the end of the year (see Table II). In 1956, a further increase in imports seems probable to meet the increasing demands of the coastal markets and in further increasing reserves. At the same time additional grain storage capacity for imports this year is being provided by the recent completion of a 22 thousand ton grain elevator at the Port of Callao and by the expected completion of a new modern mill at that port. Imports of barley malt declined slightly in 1955, but there is understood to have been an increase in brewery output, made possible mainly by an increase in national production. Total consumption increased and there was only a moderate increase in year end inventories. With the installation of a new German-type brewery in the Lima area, both imports and consumption of malting barley are expected to increase further in 1956 (see Table III). The increased imports are expected to come mostly from Western Europe. None of the barley malt imports are expected to be available in the drought area. The forecast of an increase in the imports of corn represents the effect of expected shortages in a few commercial feeding areas on the coast. The fats and oils shortages in 1955 was solved by considerably larger imports of palm oils and lard.

Imports of vegetable oils, especially from cottonseed, for 1956 already have increased over those in 1955, primarily the result of PL 480 purchases, and a further increase in lard imports seems likely. Little of the imported oils, however, will be available in the stricken areas. The decline in evaporated milk production in the Department of Arequipa will be more than offset this year by sharply increased imports of butter oil and nonfat dry milk for reconstitution and condensary use. Fruit imports in 1956 are also expected to increase.

Imports of meats, mostly beef, during 1955 were unchanged from the previous year. Imports of beef in 1956, however, are expected to be larger than in 1955, especially after mid-year, as Andean livestock shipments decrease.

The immediate outlook for commercial imports of United States agricultural products, however, appears only moderately favorable. With a large trade balance deficit in 1955, the Peruvian Government probably will try to reduce imports in 1956 by continuing a policy, announced late in 1955, of encouraging imports of only the basic foodstuffs and items considered necessary for sound commercial development. One important factor working against increased agricultural imports if the prospect of a reduced income for Peru from cotton and sugar exports which furnish a large share of the exchange to pay for imports (40 percent in 1954). The 1955 cotton crop was disappointing both in quantity and quality, and prices of cotton are expected to decline further while those for sugar are apt to remain low. Even though the total value of imports is reduced because of the trade balance deficit and other conditions unfavorable to exports, however, such reduction would not necessarily apply to the imports of such basic foods as wheat, fats and oils and dairy products.

The factor most favorable to an increase in agricultural imports in 1956 is the improved outlook for mineral exports. The outlook is also favored by the immediate effects of the recent and prospective volume of United States (PL 480) and international (IBRD) loans. Over a longer period the trend in United States imports should increase as Peru's economy and trade expand.

### Outlook

The immediate effects on Peru of the 1956 drought will be the sharply decreased production of potatoes, grains, and probably bean and vegetable crops in the southern Andes with a serious shortage in the caloric value of the zone's food supplies. In some areas where harvests have been a virtual failure, the need for food is already keenly felt and the Government has been petitioned for supplementary supplies. Cash income, both from crops and livestock products, has been sharply reduced and public works projects are being generally advocated as a means of earning the power to buy. In a move to increase incomes, the Government also announced on May 5 an 18-month suspension of all export taxes on wool originating in the highland section of southern Peru. The United States is making available to the Peruvians, this year, under a PL 480, Title II program about 1.6 million bushels of wheat, 1.5 million bushels of corn and some 4.4 million pounds of non-fat dry milk solids or their equivalent. Even with these supplies there will be a decline in the calorie units available in 1956 for the people in the area. Very little of the imported foodstuffs which enter Peru normally reach the Andean areas in which the program will be administered. This area has always been one of distinct self-sufficiency. The abnormality of heavy movements of foodstuffs into this area is presenting some dislocation and problems in Peru's transportation, storage, and distribution systems. It is for these reasons that, although the program probably will fall short of supplying adequate diets to the strickened areas, a program significantly larger than the one now contemplated, probably would be impractical.

In 1957, and the years immediately following, there will be an acute shortage of meats of all kinds and of dairy products in the drought areas of Peru. A normal 1956-57 growing season and the distribution of fowl and small meat animals may help fill the gap. There may also be a place for increased

distribution of dry milk. Production of crops will again be below normal unless there is an adequate distribution of suitable seed and some provision of power to replace lost oxen.

By 1958 and 1959, meat and milk shortages will continue, but the zones should again be in full production of potatoes, grains, beans, vegetables and fruits. If a comprehensive program pointing to the distribution of improved seed and livestock is undertaken late in 1956, and there is no serious recurrence of drought, the area should have recovered by the 1960-61 harvest.

TABLE I

PERU: Area and production of wheat, corn and barley by calendar year of harvest, 1953-56

	. Wheat	a t	: Corn		Barley	e y
Year	: Area :	Production 1000 bushels	: Area :	Production 1000 bushels	: Area :	Production
1953	425	6,200	558	12,552	1,7,1	10,358
1954	ננין	5,971	572	13,961	780	10,371
75 5561	027	6,136	573	018,11	507	10,564
1956 1/	708	5,144	581	10,393	511	7,670

1/ Preliminary

TABLE II

Wheat supply and distribution by calendar years, 1950-56 PERU:

Jalendar Jear 1950 1951 1952 1953	; Froduction 5,284 5,753 5,956 6,200 5,971	: Stocks 1/7 : 1,286 1,653 1,727 1,653	Imports 2/; The Imports 2/; Sull 1,000 bushels 9,032 15,7301 11,8,879 16,9,432 17,9,432	Total 3/; Supply 3/; els 15,602 14,707 16,121 17,464	Beginning:       Imports 2/: Supply 3/: Disappearance 3/: Stocks         1,000 bushels         1,286       9,032       15,602       13,421       1,286         1,286       8,879       16,121       14,394       1,727         1,727       9,537       17,464       15,811       1,653         1,653       9,432       17,056       15,954       1,102	Ending Stocks 1,653 1,286 1,727 1,653
1955 4/	6,136	1,102	11,192	18,430	16,901	1,529
1956 5/	5,144	1,529	17,574	18,247	16,535	1,712

It is noted that calendar year trade and stocks do not coincide with harvest date - primarily Commercial inventories, primarily of imported wheat, largely estimated. Wheat and wheat equivalent of flour at a conversion rate of 1.4.

May-July.

Preliminary. Forecast.

TABLE III

PERU: Barley supply and distribution, by calendar years, 1950-55, with 1956 forecast 1/

<b>₹</b>	: Production 10,015 9,258 9,975 10,371 10,564	Stocks 2/ 69 83 83 101 115	i Imports 1,000 384 516 492 739 726 712	Imports : Supply 3/ ; ]  1,000 bushels 384 10,468 516 9,857 492 10,559 739 11,198 726 11,212 712 11,390	Disappearance 3/ : 10,385 9,765 10,458 11,083	-1 rA i
13.50 2/	0/05/	130	719	0,727	9,580	277

I/ In grain or grain equivalent.  $\frac{1}{2}$ / Mostly commercial stocks of malting barley, based partly on trade information.  $\frac{3}{4}$ / It is noted that calendar year trade and stocks do not coincide with harvest date - May-July.  $\frac{1}{4}$ / Preliminary.  $\frac{1}{2}$ / Forecast.

TABLE IV

PERU: Rice - area, yield and production, by calendar year of harvest, 1953-56

/ -	: Planted	Pro	Production
Year 1	: Area	Rough	Milled
	1000 acres	Million pounds	Million pounds
1953	163,000	625.0	416.7
	170,000	555.6	370.3
1955 2/	166,000	562.2	374.8
-	158,000	479.5	319.7
Year of Prelimin	harvest. Most o ary.	f the crop is planted (	arvest. Most of the crop is planted October-March; harvested May-September.ry.

TABLE V

PERU: Milled Rice: Supply and distribution by marketing years, 1951-56

	Total		321.8	332.5	368.7	338.5	360.5	361.6					
appearance	=/: Food : Total		310.8	319.7	328.5	326.3	341.7	343.9					
: Apparent Disappearance	: Seed & other		11.0	12.8	40.2	12.2	18.8	17.7					
	Exports		ŧ	ν, N	7.69	8	ı	1					
: Total :	Imports : Supply : Exports	Million pounds	361.6	416.7	495.4	1,27.7	466.3	425.6		ransit.			
	Imports	MALTA	88.2	0.1	3/	3/	רי.	0.1	or seed.	ige and t	,		
Beginning:	Stocks:		9.9	39°6	78.7	57.3	91.5	105.8	rice saved i	ses in store	°.		
÷/ د	beg. June 1 : Production =/:		266.8	377.0	1.6.7	370.4	374.7	319.7	Includes allowance of rice saved for seed.	Includes estimated losses in storage and transit.	less than 50,000 pounds.	Lnary.	**************************************
Mktg. yr.	beg. June 1		1951	1952	1953	1954	1955 4/	1956 5/	1/ Include	2/ Include	$\overline{3}$ / Less th	1/ Preliminary.	$\frac{5}{1}$ Forecast.

TABLE VI

Losses of livestock from the 1955-56 drought in specified Departments, compared with 1954 numbers, as of March 31, 1956 PERU:

Auchenia	з гов з	88	30%	30%	357,000 30% 107,000		2,500,800 30% 750,000	3,419,200							or the designation of the state		
••	នន	Number	770,000	3,237,000	227,000		4,234,000	1		Pasture conditions	ormal						
Sheep	s o T :	88	707	70%	70%		70%	:		ture co	as % of normal	207	70%	i i		1	:
Sh		Number	1,926,000	8,091,500	567,000		10,584,500	16,821,200	••	: Pas	••	000	000	2,000		000	000
	S	Number	114,000	148,000	80,000		342,000	:			: Number	17,000	23,000	7,0		47,000	000,74
t 1 e	: Los	 80	30%	30%	50%		33%	!	ine	••	<b>6</b> 2	20%	20%	20%		20%	3.48
Catt		Number	380,400	492,100	160,000		1,032,500	3,476,000	Swi		Number	84,700	116,300	34,000		235,000	1,350,900
••	Departments:	•••	Cuzco	Puno	Apurimac	Total affected	area	National Total	••	Departments:	••	Cuzco	Puno	Apurimac	Total affected	area	National Total

TABLE VII

PERU: Losses of crops from the 1955-56 drought in specified Departments, compared with 1950 production, as of March 31, 1956

Dena rtments	3 Po	Potatoes	a u	Ba.	Barley	1 1	Co 1 oct.	1 1	
	: Production: Pct.		1 1	Quan. : Production: Pct.	-1 1	1 1	Quan: Production: Pet.	Pet. 1	guan.
Special Survey			120	1,000 bushels	<i>(</i> 0.1				
Cuzco	7,224	51%	3,674	3,906	767	916	1,190	%ग्गा	512
Puno	10,556	80%	8,451	1,788	34%	597	188	12%	78
Apurimac	2,829	144%	1,249	911	48%	55	452	58%	260
Total	20,609	64.9%	13,374	3,810	41.2%	1,571	1,830	46.5%	850
Other Survey									
Junin	10,556	29%	3,050	1,552	19%	294	1,232	27%	331
Huancavelica	3,233	10%	323	1,583	10%	158	725	10%	72
Cajamarca	865	30%	257	312	277%	77	392	17%	19
Moquegua	7-1	50%	22	7	n.a.	8	57	25	m
Avacucho	2,219	1	2,219	21/6	n.a.	,	118	8	811
Total affected area	37,526	51.3%	19,245	8,206	25.2%	2,067	5,047	12.2%	2,134
National Totals	53,392	1	8	10,371	ŧ	1 8	11,961	ı	8
				,					

	7 17	- 10		1.00	
		2 B B		Muear	1 ಕೆಂ
Departments	: 1954 : Production	E Pct. 1	Quanti ty	t Whe	Wheat equi- valent 2/
Special Survey		1,000 bushels			
Cuzco	860	. 43%	368		2,707
Puno	94	52%	22		3,136
Apurimac	192	26%	52	1	72h
Total	1,098	40.2%	ניויו		6,567
Other Survey					
Junin	917	11%	ν.		1,482
Huancavelica	805	20%	120		514
Cajamarca	254	87	n		188
Moquegua	103	•	103		21.1
Avacucho	663	18%	911		1,571
Total affected area	2,766	28.8%	462	П	10,335
National Total	5,971	1			

Percent of normal; believed to be compared to 1954 production.

Based on the following calorie units per gram: Wheat 3.3 (1.00); Barley 3.3 (1.00);

Potatoes 1.00 (.303); Corn 3.4 (1.03).

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

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FATP 22-56

July 27, 1956

AGRICULTURAL POLICY AND PROGRAM DEVELOPMENTS IN BURMA

Introduction: As a young socialist welfare state, the Union of Burma is striving for self-sufficiency in agricultural products. Agricultural programs are geared to this purpose and to increasing exports to earn much needed foreign exchange. Even if sufficient dollars were available, Burma's abundance of food products precludes the import of most commodities from the United States. Dairy products are a possible exception. As to the nonfood agricultural products, such as cotton and tobacco, prior to Public Law 480 (PL 480), lack of dollars caused Burma to refrain from purchasing these items from the United States. However, some of these came into Burma transhipped from and refinanced in sterling areas. In these fields Burma is working toward self-sufficiency but for at least some years will continue to import.

Agricultural imports and exports with the possible exception of pulses for export are entirely controlled by the Government of the Union of Burma (GUB). Burma believes firmly in a planned economy and the strict control of imports and exports, and many items are imported and exported by Government monopolies. The exports of rice, rubber, teak, and raw cotton, for example, are all in the Government's hands. The importation of dairy products and cotton textiles are handled by the very large GUB's Civil Management Board and by the Cooperative Ministry.

Burma is a heavy exporter of rice and her agricultural policies are governed by the need to export rice and earn foreign exchange to carry out her ambitious welfare plans. Through the Government export monopoly, the State Agricultural Marketing Board, the GUB controls foreign sales and prices of rice. Unrealistic pricing policy and poor port facilities built up large uncommitted carryovers of rice, but recent policy changes have lowered prices in line with world prices and large stocks have been disposed of.

Foreign Agricultural Trade Policies: Burma counts heavily on import and export duties for Government revenues. The main agricultural tariffs which affect United States agricultural products are on tobacco and tobacco products, and fabrics and manufactured articles containing 75 percent silk or 75 percent synthetic or artificial yarn, all of which have duty rates

ranging from 50 to 125 percent ad valorem. There are approximately 20 other commodities with duty rates from 5 to 50 percent ad valorem. The principal export tariffs are on rice and rice products.

Burma's policy has been to apply very stringent exchange controls. Decline in world rice prices and increased investment in capital expenditures for imports have diminished foreign reserves, thus necessitating a policy of licensing imports, conserving foreign exchange wherever possible, and reducing imports of consumer goods and agricultural products. Most of Burma's purchases with foreign exchange must be in sterling, which is earned mainly through the sale of rice and, to a much lesser extent, from rubber, teak, pulses, and minerals. The use of foreign currency so earned has been carefully controlled by the GUB and has been used for agricultural commodities only when there was a pressing need for the commodities.

Some agricultural commodities are on Open General License (OGL) and if the foreign exchange is available, can be freely imported. Most items are subject to licensing and often part of the imports must be from those countries which have entered into barter agreements with Burma for the purchase of rice. Under Open General Licenses which are now in force agricultural goods are permitted to be imported into Burma from any country other than Canada and American Account countries, provided they are also made or produced in countries other than Canada or American Account countries. The policy of not permitting imports from the United States and Canada is based on a shortage of dollars. The principal foodstuffs for which import licenses can be obtained are wheat, sago and tapioca flour; fresh, dried and preserved fruits; coconuts and coconut oil; garlic; seeds; betel nuts and leaves; spices; and ghee.

Because of the high prices of consumer goods on the local market, the Government of Burma on June 4, 1956 announced the initiation of a new program to lower prices and ensure an adequate and continuous flow of essential consumer goods. The three major components of the program are speeding up of the cotton processing agreements for PL 480 raw cotton, expanding the OGL list, and reducing the monopoly powers of Civil Supplies Management Board.

With the return of a buyers' market for rice, Burma has this past year realized the need for an active export promotion program. Rice quality improvement, a flexible pricing policy, and sales campaigns in foreign markets are directed to this purpose. The decline in the world price of rice drastically reduced Burma's earnings, creating the need for additional export. For some time the Government followed the policy of entering into barter arrangements with anyone willing to accept the price asked for rice in return for sale of capital goods, consumer goods and services. Barter agreements accounting for one-third of Burma's rice were negotiated with most of the communist countries. This policy proved difficult, expensive, and even wasteful and the Government was forced to adopt a more realistic pricing policy giving preference to cash customers. At present cash customers seem to be taking the ascendency over barter customers.

Domestic Market: Burma is more than self-sufficient in rice, pulses, short staple cotton, rubber, teak and construction woods, and partially self-sufficient in fish and poultry products, tobacco, onions and edible oils.

Cotton is one of Burma's main imports. At present there is one mill in Burma which produces only one type of cloth of relatively poor quality. Most other requirements are imported. The domestic production of raw cotton of the required staple length supplies only 85 percent of the current needs of the present mill but when additional cotton mills are completed, Burma will need to import more raw cotton, thus opening a substantial market.

Though there is not sufficient flue-cured tobacco produced in Burma to supply the local market, imports are restricted. United States tobacco has entered the market through Hong Kong and Singapore, payment being in sterling. Burma produces sufficient low quality tobacco used in the manufacture of cheroots.

To stimulate increased production, Burma follows a rigid policy of price supports on rice, sugarcane, rubber, tobacco, cotton and jute. Though the export price of rice dropped heavily, the fixed price paid the farmer remained the same but there still is a favorable price differential between the support prices paid the farmer and the export price. There are no acreage limitations in effect.

To control inflation the GUB has established a ration system and controls prices on textiles, rice, sugar, milk, and other commodities. However, restricted imports, inefficient state trading, delays and difficulties in dealing with barter countries, black marketing and hoarding have led to a rising price trend.

Sugar prices are fixed at the railway terminals or at the sugar mills and are considered high enough to give the farmer sufficient profit to induce him to increase sugar production. The cotton price, based on quality and outturn ratios of lint, varies from time to time according to changes in the world short staple cotton market. This price tends to remain higher than or equal to cost of production. The rubber support price is also a flexible price based on the world market price. To provide an incentive to jute producers, the jute price is fixed at a favorable rate to growers. The tobacco price is negotiated by the farmer and the cigarette manufacturers with the Agricultural Rural Development Corporation acting as arbitrator.

Agricultural Development Programs: The GUB has two large programs for agricultural development—one is aimed at self—sufficiency in many imported agricultural commodities, the other at quality improvement of rice. Both of these programs result from the Burma foreign exchange position. Lack of foreign exchange prompted Burma to curtail imports and become more self—sufficient, and need for foreign exchange necessitates the program for rice quality improvement.

The GUB has established the Agricultural Rural Development Corporation (ARDC) to develop crop production and the Industrial Development Corporation (IDC) to develop mills and factories to use the agricultural produce. The

goal of self-sufficiency will probably be attained in varying degrees of different commodities. However, in the meantime, the United States agricultural surplus commodities available under PL 480 can assist Burma in its development program.

The agricultural development program for rice is at present limited to quality improvement. For example, in the Tenasserim area pearl type rice is being grown for the Japanese market. If the production of this type of rice can be increased, there is a possibility that sales of rice to Japan may be increased. Burma's cost of production of rice is low. She does not now have a program for an increased production because, up to this year, Burma has had difficulty in disposing of rice surpluses. However, with realistic pricing Burmese rice carryovers have declined and with competitive world pricing Burma has been able to dispose of larger quantities of rice and, port facilities willing, Burma could export even more rice than is produced at present. With an International Bank for Reconstruction and Development loan for railways and port improvement Burma will be able to increase exports over the next few years and may find it advantageous to initiate a "grow more rice" campaign. There are large acreages of land that can be brought back into rice production.

One of Burma's most successful agricultural development programs is the production of Virginia type flue-cured tobacco. The ARDC has loaned money to cooperatives for the construction of curing barms and it has spent considerable time and effort in increasing production of Virginia type flue-cured tobacco to be used in the cigarette industry of Burma. Until this program gets under way and the domestically produced tobacco is properly aged, U. S. tobacco will be needed, but ultimately Burma plans to eliminate imports of Virginia tobacco.

Burma has a large area in the dry zone planted to cotton. However, the area is not irrigated and the cotton produced is short stapled. ARDC has an agricultural development program for improving the quality of the cotton by the introduction of new varieties. Burmese cotton is cheap to produce and there has been a ready market for the short staple cotton. Burma plans to increase the number of cotton textile mills and when built these will result in an increase in the demand for domestically produced raw cotton of suitable staple length. With irrigation Burma can produce longer staple cotton, but for many years to come Burma will import cotton yarns and cotton textiles.

The IDC is now completing two large sugar mills and it is anticipated that if sufficient sugarcane is available, this increased mill capacity will make Burma self-sufficient in refined sugar. The ARDC and IDC have both been active in developing dairy projects. However, these projects, which include a sterilization plant and dairy and a sweetened condensed milk factory, still leave much to be desired. The use of U. S. products under PL 480 for the preparation of recombined milk for the sterilization plant or for the preparation of sweetened condensed milk is a real possibility at this time.

FIFE FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURE

L WASHINGTON, D.C.

- 1955

FATP 23-57

U. S. DEPARTMENT OF AGRICULTURE

August 6, 1956

U. S. AGRICULTURAL EXPORTS IN FISCAL YEAR 1955-56 1/

GENERAL HIGHLIGHTS

Exports were 10 percent ahead of 1954-55 in value, 13 percent ahead in quantity. U. S. agricultural exports in fiscal year 1955-56 are estimated at \$3,475 million, 10 percent ahead of the \$3,145 million in 1954-55. Increase in quantity (exports measured at constant prices) amounted to 13 percent. Exclusive of cotton, exports were ahead by 26 percent in value, 30 percent in quantity.

Exclusive of cotton, exports were at a 30-year high. If cotton is excluded from last year's export total, the remaining quantity was at the highest level of the last 30 years of record. Quantity without cotton was 22 percent ahead of both the 1951-52 Korean War year and the 1948-49 heavy foreign aid year.

Quantity with cotton last year was exceeded only twice in the past 30 years. As the result of the recent export advances, export quantity including cotton in 1955-56 was the third largest since 1925. Quantity totaled 97 percent as much as in 1951-52 and 96 percent as much as in the 1926-27 boom year.

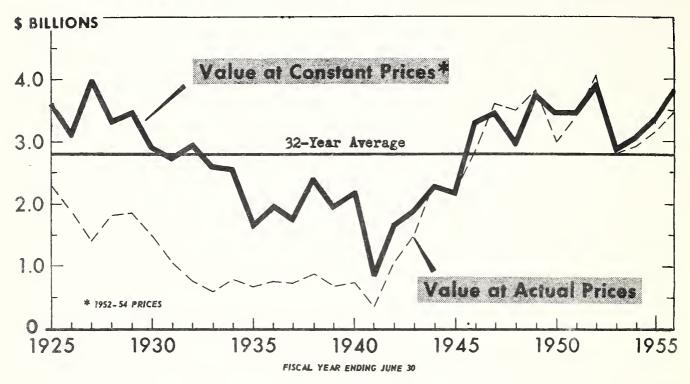
Exports continued their uphill trend of the previous 2 years. In each year since 1952-53, agricultural exports have made steady upward progress. Last year's exports were 23 percent greater in value and 34 percent greater in quantity than in 1952-53, the post-Korean low mark.

Farm price rise paralleled export increase. The strong export demand for most U. S. farm products has contributed to a rise in prices received by farmers. In mid-June 1956, index of prices received by farmers averaged 11 percent above the December low and  $2\frac{1}{2}$  percent above mid-June 1955. Prices for feed grains, fruits, and oil bearing crops are among those that have been strengthened most by export demand.

Favorable foreign market factors stimulated exports. Foreign demand for U.S. products has been strong, reflecting high levels of economic activity, rising populations, more liberal import policies, substantially increased dollar receipts from greater U.S. imports, U.-S. Government expenditures abroad, and supply shortages in foreign competitive producing and importing areas.

<sup>1/</sup> Prepared in the Trade Statistics Branch.

# **VALUE OF U. S. AGRICULTURAL EXPORTS**



USDA

FAS-NEG. 746

June 1956 estimated.

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High level of foreign economic activity strengthened foreign demand. The industrial nations of the world last year witnessed a continuation of their recent high rate of economic expansion. Western Europe—which takes about half of U. S. farm exports—continued the sharply rising trend in production for the third year. Industrial output reached a record high level and, despite the appearance of slackening in some countries toward the end of the year, the rate of expansion for Western Europe as a whole was higher than in the 2 preceding years. There was some increase in inflationary pressures, but it is notable that the more recent economic control measures to check these pressures were mainly confined to credit policies and did not, in general, include increases in trade barriers.

Import liberalization facilitated exports. During the past 18 months, a number of countries, particularly those participating in the General Agreement on Tariffs and Trade (commonly referred to as GATT), have liberalized somewhat their import policies toward U. S. farm products. This has been a contributing factor toward the expansion of exports of U. S. farm products. More than half of the GATT countries have moved in this direction since January 1, 1955. Similar action has been taken by a few non-GATT countries. In addition to pressing for liberalization of quantitative restrictions, the United States has obtained reductions of foreign duties on many of its farm products.

Foreign buyers were financially stronger. Past year's growth in world trade and commerce enabled foreign countries as a whole not only to increase dollar imports but also to add materially to their dollar reserves. Foreign countries' holdings of gold, short-term dollar assets, and U. S. Government bonds and notes amounted to \$27.4 billion at the end of 1955. This is an increase of \$11.6 billion since 1949 and \$1.7 billion since 1954. The improvement in 1955 was largely due to record dollar receipts from sales of goods and services. U. S. Government expenditures abroad were only slightly above those of the previous year.

U. S. Agricultural Exports by Major Commodity Groups

Commodity group	Fiscal year 1954-55 - Million	Fiscal year 1955-56 1/ dollars -	Percentage change
Cotton, excluding linters	684	375	<del>-4</del> 5
Grains and feeds	882	1,170	+33
Tobacco, unmanufactured	306	380	+24
Vegetable oils and oilseeds	302	400	+32
Fruits and vegetables	274	325	+19
Livestock products	461		+18
Private relief 2/	142	175	+23
Other	94		-
Total, including cotton	3,145	3,475	+10
Total, excluding cotton	2,461	3,100	+26
Fruits and vegetables Livestock products Private relief 2/ Other Total, including cotton	274 461 142 <u>94</u> 3,145	325 545 175 . <u>105</u> 3,475	+19 +18 +23 +11 +10

<sup>1/1955-56</sup> partly estimated.

<sup>2/</sup> Mostly CCC donations to U. S. private welfare agencies for overseas distribution.

The increase in exchange reserves in 1955 was, however, distributed rather unevenly among the regions and countries of the world. Continental Western European countries recorded a very substantial gain of \$1.6 billion; the Sterling Area, a decrease of \$462 million. Latin American countries increased holdings by \$165 million, the net result of substantial gains by some countries, particularly Mexico and Venezuela, and losses by others such as Argentina, Colombia, and Uruguay. The Asian countries' financial position improved moderately, due mainly to a \$179 million increase for Japan.

Foreign shortages were important in U. S. export gain. Shortages developed in foreign supplies of some important agricultural commodities due to unfavorable weather. Last winter's freeze in Europe damaged grain and fruit crops in some countries and caused a number of countries to take more wheat and fruit from the United States. Pakistan took more wheat and rice due to local drought damage to crops. A very short sunflower-seed crop in Argentina and decreased production of olive oil in the Mediterranean Basin raised import demand for U. S. fats and oils.

#### Government Programs

Government programs aided exports. Government programs are designed to assure that neither lack of financing nor high prices shall be a deterrent to exports. Last year they included sales to exporters at competitive prices, arrangements with foreign countries whereby they pay for parchases either with their currencies or their strategic goods, emergency relief grants, foreign welfare donations, and Export-Import Bank loans. Due to differences in compilation and valuation, a complete correlation of exports under Government programs and total exports is not yet possible.

Title I shipments accounted for 12 percent of U. S. agricultural exports. Export market value of shipments against foreign currencies under Title I of Public Law 480 approximated \$425 million in 1955-56 compared with \$72 million in 1954-55. Shipments under this program did not begin until January 1955. More than 80 percent of the tonnage exported under this program was shipped during 1955-56. In that year, Title I wheat exports comprised about 28 percent of all the wheat exported; cotton, 23 percent; cottonseed and soybean oils, 50 percent; and tobacco, 13 percent. A total of 59 agreements, or supplements to agreements, with a total CCC cost value of nearly \$1.5 billion have been entered into with 27 countries since inception of the program. Title I is administered by USDA.

ICA Section 402 shipments were larger. The International Cooperation Administration also has sold U. S. agricultural products for foreign currency. Authority is contained in Section 402 of Public Law 665. Dollar amounts paid out for such shipments are estimated at \$300 million in 1955-56 compared with \$186 million in 1954-55 when dollar aid was still in the pipeline. At this rate, these payments are equivalent to 9 percent of U. S. agricultural exports in 1955-56.

Barter accounted for 8 percent of exports. As a supporting program, barter is designed to place private U. S. business firms in a competitive position

of purchasing materials from other countries conditional upon the exportation of agricultural commodities in payment. Barter shipments totaled 8 percent of farm exports in 1955-56. Preliminary information indicates that shipments at export market value totaled \$264 million in 1955-56 compared with \$125 million in 1954-55. Barter wheat exports accounted for 16 percent of all the wheat exported last year; corn, 44 percent; barley, 37 percent; and oats, 44 percent. If all the wheat sold for export under barter moved out last year, barter would account for 24 percent of all wheat exports. Thirty-five different countries have received agricultural commodities under barter in the past 2 years. Principal receivers of barter commodities have been the Netherlands, Japan, West Germany, Turkey, United Kingdom, and Belgium.

Government-to-Government programs helped the needy overseas. Title II of Public Law 480 has enabled the United States to use some of its surplus farm products to alleviate suffering abroad following in the wake of flood, earthquake, hurricane, drought, crop shortages, and other natural disasters. Shipments reported through June 30 totaled \$90 million in 1955-56 compared with \$83 million in 1954-55 (CCC cost). Notable shipments were food and feedstuffs to Italy; grain, fats, and milk products to Turkey; and wheat and rice to Pakistan. As a general rule, foreign governments must agree to distribute the commodities to needy people. Packages or containers of food are labeled as gifts of the United States.

Private relief agencies used CCC donations to help the foreign needy. Section 302 of Public Law 480 authorizes donations of surplus foods in CCC stocks to U. S. nonprofit voluntary relief agencies and to intergovernmental organizations, such as the United Nations International Children's Emergency Fund and the American Red Cross, to assist needy persons outside the United States. Exports are estimated at \$175 million in 1955-56 compared with \$126 million in 1954-55. Donations decreased last year for nonfat dry milk solids, butter, butter oil, cheese, and cottonseed oil. CCC, in fact, suspended cottonseed oil donations in 1955-56 due to inventory depletion. On the other hand, new items were added to the donation list: Wheat, corn, rice, and dry beans.

Export-Import Bank financed cotton shipments. The Export-Import Bank has for several years made short-term loans to finance agricultural exports. Most of this aid has gone to help Japan finance purchases of U. S. cotton. The Bank financed shipments totaling \$62 million in 1955-56, consisting of cotton for Japan and Austria. In the previous year, financing amounted to \$69 million, consisting of cotton for Japan and wheat for Brazil. Last year's loans financed about 15 percent of all U. S. cotton exported.

CCC sold more for export at competitive prices. Last year's CCC operations expanded considerably: Disposition commitments for commercial sales (mostly at competitive prices) increased from \$567 million (dollar return) in fiscal year 1954-55 to \$992 million in 1955-56. These figures include sales for export under other Government programs, such as sales for foreign currency. Most striking commodity development was the increase in commitments for cotton sales from only 56 thousand to 3.4 million bales. Other increases: Wheat, from 171 million bushels to 204 million; barley,

from 31 million bushels to 58 million; soybeans, from 0 to 4.4 million bushels; butter, from 6 million pounds to 33 million; and nonfat dry milk solids, from 8 million pounds to 115 million. Striking decline was for cottonseed oil: from 696 million pounds to 73 million as CCC had disposed of most of its surplus stocks in fiscal year 1954-55. Linseed oil export sales were only one-half of the 1954-55 total of 135 million pounds.

More trade information was made available. The increased tempo of export trade has been associated with an important expansion in the collection and analysis of information on prospects for U. S. sales in foreign markets. USDA's network of attaches stationed abroad has been expanded to more than 80 posts. Attaches furnish market and competition information and otherwise assist U. S. traders in their efforts to expand sales. Specialists are working with U. S. exporters on the kinds, qualities, and grades of products and types of containers and packaging desired by foreign consumers. A start was made last year on export market development programs using Section 32 and Title I funds.

Unfavorable factors in the export trade. Last year's increase in agricultural exports was achieved despite many difficulties confronting U.S. exporters: 1. Most important was a multitude of discriminatory trade barriers that excluded U.S. products from large segments of the markets in many countries. 2. The competitive foreign production of a number of commodities continued to increase about as rapidly or more rapidly in some cases than the effective demand. 3. U.S. prices in some cases were higher than those quoted by competitors. 4. Per capita demand for certain products such as wheat and rice has become relatively inelastic despite rising incomes. 5. In some countries, higher priority was given to U.S. manufactured goods than to agricultural products in the allocation of dollar exchange. 6. Few currencies were freely convertible. 7. Last year's second-half exports of some commodities were delayed by a worldwide ship shortage.

Agricultural export rise paralleled gain in industrial exports. The 10-percent rise in agricultural exports last year was matched by a 10-percent rise in industrial exports. Industrial exports include Defense Department military shipments, which declined by \$1-billion in 1955-56. Without the military goods, the industrial export gain amounted to 12 percent.

Some highlights on destination of agricultural exports: The detailed discussion of the geographical distribution of U. S. agricultural products in fiscal year 1955-56 will be given in a later circular when more data are available. Highlights--based on calendar 1955 exports--are given here. Five markets--Japan, the United Kingdom, Canada, the Netherlands, and West Germany--took nearly half of total U. S. agricultural exports in 1955. Japan was the principal market for grains, cotton, fats and oils; the United Kingdom for tobacco; and Canada for fruits and vegetables. Because of reduced purchases of cotton, all of these countries except the United Kingdom imported less from the United States than in 1954. However, they retained their traditional position as the best foreign customers of U. S. agriculture. Donations and sales for foreign currencies represented only about 10 percent of exports to these countries compared with over 25

percent for all other countries. About 10 percent of exports to the United Kingdom and 16 percent to the Netherlands and West Germany resulted from barter transactions.

The five markets next in importance—Yugoslavia, Belgium, Cuba, Italy, and Spain—accounted for an additional 15 percent of total exports in 1955. Nearly all the exports to Yugoslavia, the bulk of those to Spain, and about half of those to Italy were direct donations or were sold for foreign currencies. Exports to Cuba and Belgium, on the other hand, were not assisted by these programs, although barter accounted for nearly one-fourth of exports to Belgium, Cuba, like Canada, did not participate in any U. S. export programs.

#### COTTON

U. S. cotton prices were not competitive during most of the year. With an upsurge in cotton shipments during the last 4 months of fiscal year 1955-56, the year's total stood at an estimated 2.3 million 480-pound bales, 39 percent under the 1954-55 figure of 3.8 million bales. June exports are estimated from trade sources.

The low level of exports during the first 8 months of 1955-56 reflected in part the underpricing of U. S. cotton by exporters abroad and the expectation of lower prices under a new U. S. export program. Foreign importers reduced purchases to minimum replacement needs. For the major foreign markets, indications are that Japan, Formosa, and possibly Spain, took more U. S. cotton in fiscal year 1955-56 than in 1954-55. Much less U. S. cotton was exported last year to major customers like France, West Germany, Italy, the Netherlands, the United Kingdom, and Canada. Even U. S. foreign aid programs—which assist more than half the cotton exported—moved little authorized shipments until U. S. prices were reduced.

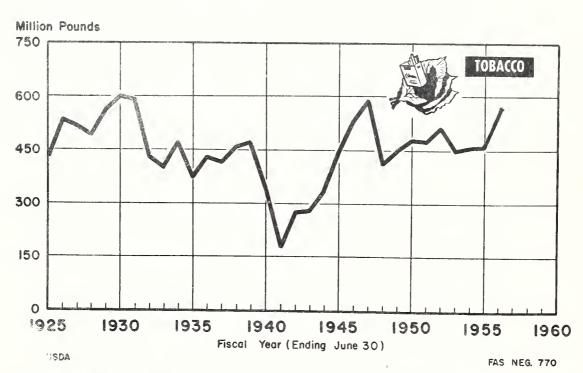
The pickup in exports in the last 4 months of 1955-56 was the outcome of CCC sales of 1 million running bales of 15/16 inch and shorter staple made during January and February on a bid basis. (Since April, CCC has been selling upland cotton on a bid basis for export after July 31; sales through July 24 totaled 3.0 million running bales, equivalent to about 3.2 million 480-pound bales.)

#### TOBACCO

Tobacco export quantity was largest in 10 years; value set new record. U. S. tobacco exports are estimated at 570 million pounds (export weight) in 1955-56 compared with 460 million in 1954-55 and 459 million in 1953-54. Past year's quantity is the largest since 1946-47 when exports totaled 592 million pounds; value estimated at \$380 million is the largest of record. About half of the increased shipments in 1955-56 was due to sales for foreign currency under Public Law 480. Otherwise, the shortage of dollars in some importing countries would have continued as the principal limiting factor for U. S. exports. Dollar sales also increased substantially.

Two specific factors responsible for augmenting foreign demand for U.S. leaf were the low stocks relative to consumption and the increasing use of





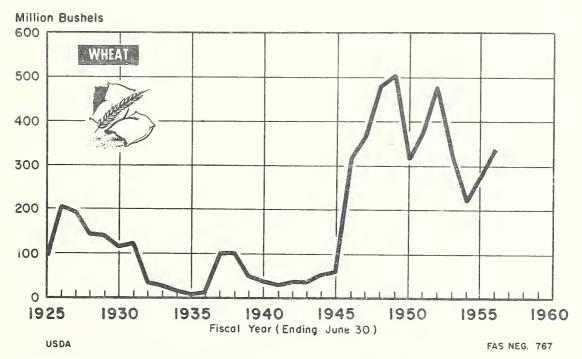
Export weight. Unmanufactured. June 1956 estimated.

cigarettes made from light tobaccos. Two closely interrelated factors of a general nature were the high levels of economic activity and increased currency reserves abroad. Principal markets abroad are the United Kingdom, West Germany, the Netherlands, and Australia.

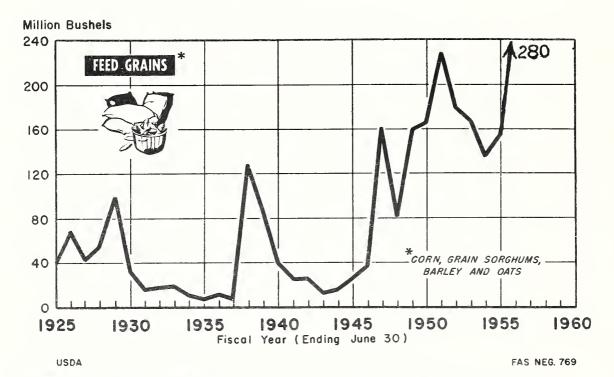
Although less apparent in 1955-56 than in earlier years, the chief hindrance to increased U.S. marketings abroad is the widespread use of discriminatory trade barriers.

#### GRAINS AND FEEDS

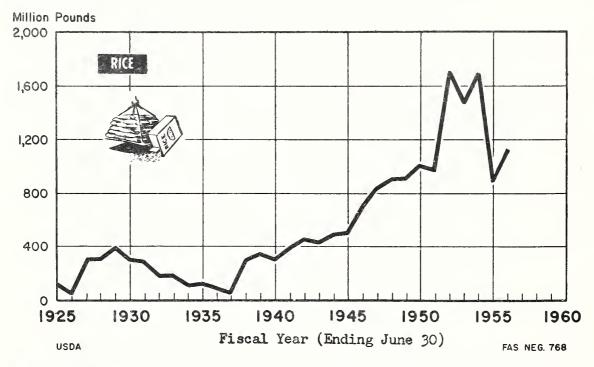
Grains and feeds showed greatest dollar gain. U. S. exports of grains and feeds are estimated at \$1,170 million in 1955-56, 33 percent larger compared with \$882 million in 1954-55. All categories showed increases: Wheat, coarse grains, rice, and feeds. Dollar gain totaled \$288 million, largest of the major groups. Principal favorable factors were: 1. Greatly improved economic conditions. 2. Increased dollar earnings and holdings in a number of foreign countries. 3. Increased feed grain requirements in many countries as a result of a continued upward trend in livestock numbers and in the quantities of feedstuffs fed per animal unit. 4. Surplus disposal programs. 5. Damage to winter wheat in Northwestern Europe during the 1956 freeze.



Includes grain equivalent of flour. June 1956 estimated.



Com equivalent by weight and feeding value. June 1956 estimated.



Milled basis. June 1956 estimated.

Wheat exports were largest in 4 years. Combined exports of wheat and wheat flour totaled 340 million bushels in fiscal year 1955-56 based on Census Bureau shipment data through May and USDA inspection data for June. The 1955-56 quantity compares with 274 million bushels in 1954-55 and 220 million in 1953-54 and was the largest export since 1951-52 when shipments amounted to 475 million. Once again, the United States outranked Canada as a wheat exporter; Canada shipped less than 300 million bushels last year.

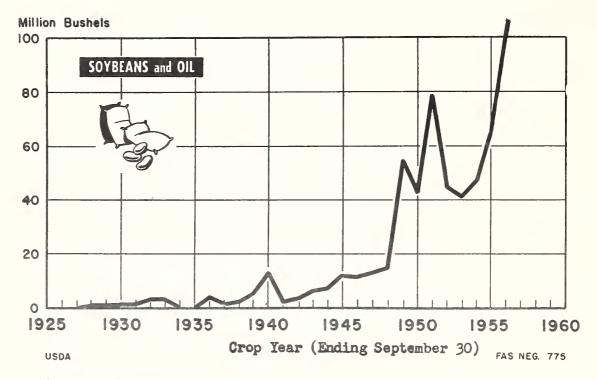
Two factors predominated in last year's improved U. S. wheat exports: Government export programs and damage to winter grain in Northern Europe. Export programs included sales for foreign currency under Title I of Public Law 480 and Section 402 of Public Law 665, barter sales under Title III of Public Law 480, and grants under Title II of Public Law 480.

Improvement in exports came late in the year—in the last quarter. Exports to Europe appear to have been moderately smaller in 1955-56 than in 1954-55, largely because of reduced shipments to the United Kingdom, Yugoslavia, and West Germany. This reduction was more than offset by increased exports to South America, Africa, and Asia; increases for Brazil, Egypt, Japan, and Pakistan were especially large. Exports also increased to the Netherlands and to France. France is usually an exporter, but its winter crop was damaged by weather.

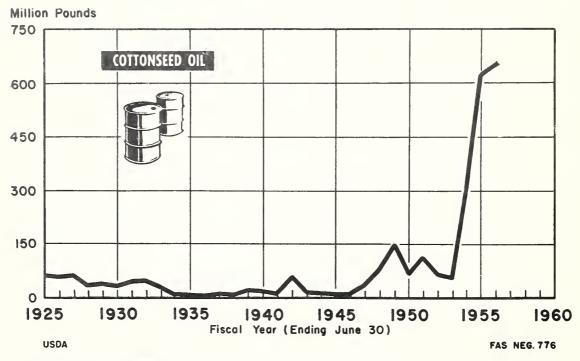
Last year wheat was added to the list of surplus commodities eligible under Title III of Public Law 480 for donation to private U. S. welfare agencies for distribution to needy persons overseas. Based on incomplete data for June, welfare agencies so far have reported 1955-56 shipments totaling 2.2 million bushels. This quantity of wheat is in addition to that given above for 1955-56. This wheat as well as other Title III CCC donations except to UNICEF are reported in U. S. foreign trade statistics under a catchall commodity classification, "Food exported for relief or charity by individuals or private agencies."

Record high was attained by feed grain exports. Improved diets abroad have followed quite naturally the rise in overseas economic activity and purchasing power. Main market for feed grains is Europe where livestock production is being expanded to provide more livestock and poultry products. Feed grain exports in fiscal year 1955-56 are estimated to have reached a record high of 8.3 million short tons, 84 percent more than the 4.5 million tons in 1954-55. Feed grains are corn, oats, barley, and grain sorghums. Exports were improved last year also for oilcake and meal, other feeds, and rye. Credit is due in part to competitive pricing and strong efforts under export programs, including foreign currency and barter sales under Public Law 480 and in part to rising demand abroad for meat and other livestock products.

In addition to the corn included in the above feed grain total for 1955-56, U. S. private welfare agencies also exported 273 thousand bushels to needy persons overseas. Corn was added to the list of eligible commodities in 1955-56.



1956 partly estimated.



June 1956 estimated.

Export programs accounted for larger rice exports. Milled rice exports (including milled equivalent of paddy) increased from 8.8 million bags in fiscal year 1954-55 to an estimated 11.2 million bags in 1955-56. The largest part of the increase occurred early in the year, when substantial shipments were made to Japan for yen under Title I. These shipments were against Title I purchase authorizations issued during 1954-55. Later in the year, substantial relief grants were made to Pakistan under Title II of Public Law 480 to relieve a food shortage due to drought. Exports of rice to Cuba, chief customer for U.S. rice, continued to hold up well.

Rice was another newly added item to last year's Title III CCC donation list; private welfare agencies have reported shipments of 830 thousand bags. This quantity is in addition to that given above for 1955-56.

#### VEGETABLE OILS AND OILSEEDS

Vegetable oil and oilseed exports were spectacular. U. S. exports of oilseeds and expressed vegetable oils totaled an estimated \$400 million in 1955-56 compared with \$302 million in 1954-55. Last year's spectacular performance was the outcome of improved economic activity and rising demand abroad, competitive U. S. prices, export programs, and smaller supplies of oil olives and certain foreign competitive oilseeds. Last year's export volume was so favorable as to tighten home supplies.

Soybean exports again set record. Soybean exports are estimated at 69 million bushels in fiscal year 1955-56, based on shipments through May and Federal inspections in June. Last year's figure was a record high, 37 percent greater than exports in 1954-55 when a then record 51 million bushels moved out.

The consistent growth in U.S. soybean exports from 16 million bushels in 1951-52 has been phenomenal. Ten years ago exports amounted only to 4 million bushels.

Prime factors in the heavy foreign demand for U. S. beans last year were the following: 1) CCC's accumulated supplies of cottonseed oil had been sold or committed. 2) Importers could rely on U. S. deliveries of soybeans as compared with the not-too-dependable supplies from China. 3) Importers—mainly in Europe—needed the byproduct cake and meal for feed. 4) U. S. soybeans helped to provide economic activity for European oil mills which, since World War II, have operated at less than 50 percent of capacity.

Progress was made during 1955-56 toward the elimination of quality complaints due to misunderstanding of U. S. grade standards and inspection procedure.

Combined exports of soybeans and oil are pictured on a <u>crop year</u> basis in the chart at the top of page 12. The crop year runs from October through September.

Combined exports of soybean and cottonseed oils set 1 billion-pound record. Exports of soybean oil and cottonseed oil aggregated 1 billion pounds in 1955-56 based on shipment data through May and FAS estimates for June. Quantity for 1955-56 is a new record totaling more than 50 percent larger than the 660 million pounds exported in 1954-55 and  $2\frac{1}{2}$  times the 397 million shipped in 1953-54.

Ten years ago exports were less than 100 million pounds; they reached a peak of 495 million pounds in 1951-52 and experienced a severe setback in 1952-53. These vegetable oils are an important part of the diets of millions of people, especially in Europe, where economic activity moves along at a quickened pace.

Two factors predominated in the heavy export volume last year: 1) Decreased production of olive oil in the Mediterranean Basin, and 2) A very short sunflower-seed crop in Argentina in 1955. U. S. cottonseed oil has been highly favored in West Germany's manufacture of top-quality margarine.

Soybean oil exports were 10 times larger in 1955-56 than in 1954-55 while cottonseed oil exports were only slightly ahead, but it must be remembered that 1954-55 exports were in large part from CCC stocks while 1955-56 export sales came out of current output.

CCC also donated large amounts of cottonseed oil to private welfare agencies for overseas distribution to needy persons. Shipments reported totaled 10 million pounds last year compared with approximately 30 million in 1954-55.

More flaxseed, less linseed oil, was exported. Flaxseed exports at 10 million bushels continued large in 1955-56, 2 million bushels ahead of 1954-55. U.S. prices were competitive. While there was an abnormally large crop in Canada--largest in over 40 years--output in Argentina was the smallest in nearly 3 decades.

Exports of linseed oil in 1955-56, estimated at 125 million pounds, were 60 percent smaller than the 318 million-pound volume in 1954-55; exports in the past 2 years included considerable quantities sold by CCC at prices below domestic levels. Although used extensively as a food oil in some countries, primary use for linseed oil is in the manufacture of paints, linoleum and related floor coverings.

#### LIVESTOCK PRODUCTS

Livestock product exports were ahead by 18 percent. U. S. exports of livestock and livestock products are estimated at \$545 million in fiscal year 1955-56 based on shipments through May and FAS estimates for June. This value is 18 percent above the 1954-55 figure of \$461 million. All groups showed increases: Fats, meats, hides and skins, poultry products, and dairy products. Government programs aided in stepping up exports of most items but competitive pricing helped others.

Because people abroad now have the ability as well as willingness to improve their diets, livestock products—especially in the form of meat and milk products—offer great promise for market development efforts.

Exports of dairy products are not fully reported as such by the Bureau of the Census owing to inclusion of CCC donations to welfare agencies in a catchall relief food category; only donations to UNICEF are reported in dairy classes.

#### Animal Fats

Lard shipments largest in 4 years. Lard exports totaled an estimated 645 million pounds in 1955-56--a 4-year peak--25 percent larger than shipments of 516 million in 1954-55 and 59 percent above the 405 million exported in 1953-54. The strong foreign demand for edible fats and oils aided U. S. shipments of lard as well as vegetable oils. Heavy lard exports have been an important factor to the expanding U. S. livestock industry. The competitive price and high quality have been the greatest impetus in keeping U. S. lard moving to foreign markets in increasing quantities. Chief overseas markets for U. S. lard are Cuba and the United Kingdom. Shipments to a number of countries are small because of import controls.

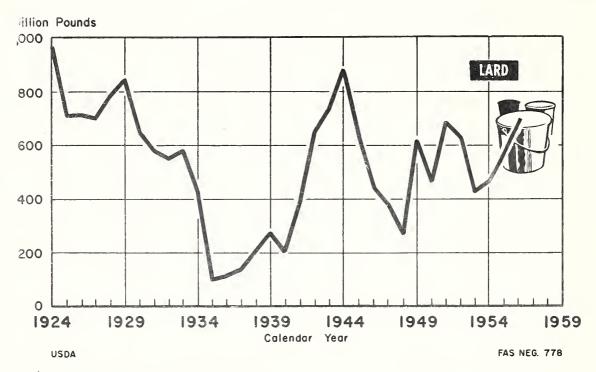
Lard exports are shown on a <u>calendar year</u> basis in the chart at the top of page 16.

Tallow exports were at record high. Exports of edible and inedible tallow also established another record in fiscal year 1955-56: 1,330 million pounds compared with 1,092 million in 1954-55 and 1,041 million in 1953-54. Ten years ago exports were 22 million pounds; every year since then has seen export volume mount. Heavy exports have done much to ease the pressure on the livestock industry. Tallow is used principally in the manufacture of soap. With the advent of synthetic detergents in the United States and with the steady growth in the U. S. livestock industry, larger amounts of tallow have become available for export. And the rest of the world has been eager to buy U. S. tallow. Competitive price and high quality have been the chief stimulants. U. S. tallow ranks high among the world's cheapest fats. Chief overseas markets are the Netherlands, Japan, Italy, and West Germany.

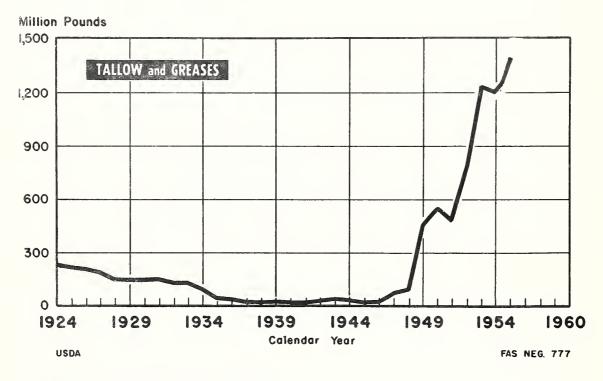
Exports of tallow and greases are shown on a <u>calendar year</u> basis in the chart at the bottom of page 16.

#### Meats

Beef exports were largest since 1946-47. U. S. exports of beef and veal are estimated at 51 million pounds (product weight) in fiscal year 1955-56, 19 percent larger than the 43 million in 1954-55. Last year's exports were the largest since 1946-47, when large exports represented relief shipments to Europe. The shipments during 1955-56 included sizable quantities of frozen beef to Spain under a program of the International Cooperation Administration.



1956 estimated from January-June.



1956 estimated from January-June.

Exports are likely to increase in 1956-57 as beef moves out in volume to Israel under the provisions of Public Law 480. U.S. exports of carcass and prime cuts of beef are hampered by relatively high U.S. prices. However, exports of livers, hearts, tongues, and trimmings are highly competitive in most areas but are limited by import restrictions.

Lower prices helped move U. S. pork abroad. U. S. exports of pork in 1955-56 totaled an estimated 72 million pounds (product weight) compared with 63 million in the previous year, a gain of 13 percent. Last year domestic supplies were larger and prices lower. Exports to Cuba--a meat-deficit nation--increased substantially. Prices of U. S. pork products are highly competitive in most foreign countries yet U. S. pork moves abroad with great difficulty. U. S. pork is excluded from a large number of markets because of the occurrence of vesicular exanthema and hog cholera in some areas in the United States. Other countries prohibit or restrict the entry of U. S. meat and meat products by exchange controls, bilateral trade agreements, and discriminatory sanitary or quarantine regulations.

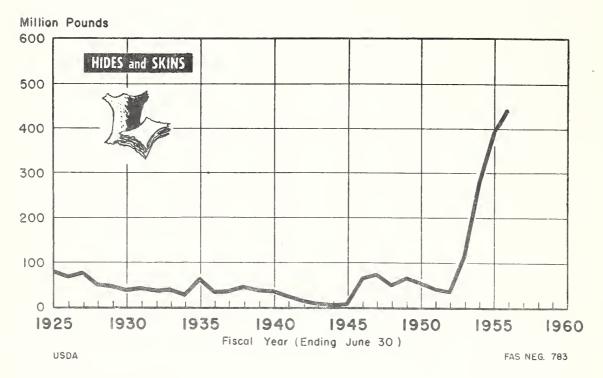
#### Hides and Skins

The United States is an important exporter of hides and skins. U. S. exports of hides and skins--largely cattle hides and calf skins--totaled an estimated 10 million pieces in fiscal year 1955-56 compared with 9 million in 1954-55 and 7 million in 1953-54. Because of the record slaughter of cattle and calves in the United States, this country has become an important exporter of cattle hides and calf skins. Moreover, foreign buyers are rapidly becoming aware of the high quality of U. S. hides. The upward trend in hide exports is expected to continue. They are relatively free from import restrictions other than for reasons of dollar shortages. Chief overseas outlets for U. S. cattle hides are Japan, the Netherlands, and West Germany. In recent years, exports have mounted sharply to Canada, Mexico, Colombia, Belgium, and Israel. Most U. S. exports of calf and kip skins go to Japan, West Germany, Canada, the Netherlands, and Mexico. Because domestic production is not sufficient, the United States imports sheep and goat skins to fulfill domestic requirements.

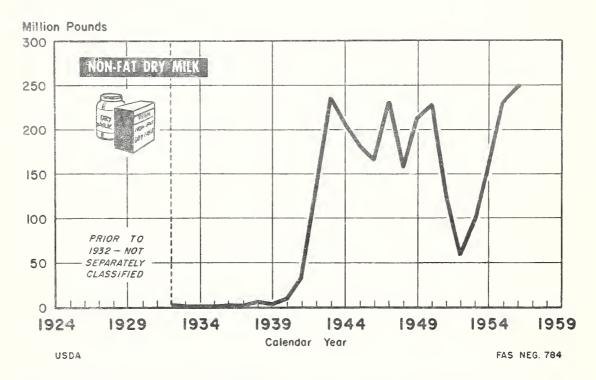
#### Dairy and Poultry Products

Cheese exports increased sharply but still were relatively small. U. S. exports of cheese totaled an estimated 35 million pounds in fiscal year 1955-56 compared with 9 million in 1954-55 and 7 million in 1953-54. U. S. cheese exports normally have been very small. Recent increases have been due in part to Government export programs and in part to Government-to-Government sales at negotiated prices.

During and immediately after World War II, U. S. exports of cheese were large when this country was called upon to supply high quality protein food.



June 1956 estimated.



1956 estimated from January-May.

Last year's export statistics also included but did not identify shipment of about 120 million pounds of cheese donated by CCC to private welfare agencies for distribution to needy persons overseas; in 1954-55 such shipments approximated 90 million pounds.

Butter exports were stimulated by Government programs. Exports of butter totaled an estimated 33 million pounds in fiscal year 1955-56 compared with 14 million in 1954-55 and less than 1 million in 1953-54. U. S. exports have been negligible except during World War II and immediate postwar years and later. Most of the recent gains reflect stepped-up Government-to-Government sales at negotiated prices, mainly to Israel. In addition, commercial sales have been larger due to CCC sales at competitive prices. Major handicap to increased U. S. commercial sales overseas is the high level U. S. prices.

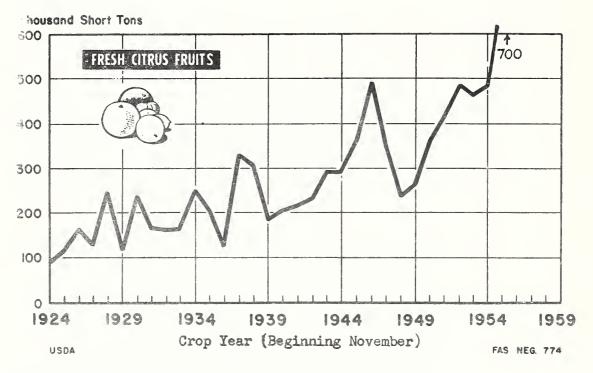
The export statistics last year included but did not identify shipments 93 million pounds of butter as such and another 93 million pounds as but oil donated by CCC to private welfare agencies for overseas distribution In 1954-55, these shipments were approximately 80 million pounds as butter and 60 million as butter oil.

Nonfat dry milk exports benefited from Government programs. Exports of nonfat dry milk solids totaled an estimated 220 million pounds in fiscal year 1955-56 compared with 176 million in 1954-55 and 178 million in 1953-54. Government programs have played the major role in maintaining and expanding nonfat dry milk exports. Many foreign customers have, through these programs, for the first time been able to try such products. These people need particularly the calcium and protein furnished by such foods. Government to Government sales at negotiated prices have been substantial. On has sold (at nominal price) nonfat dry milk solids to UNICEF (the United Nations Children's Fund) and to Italy and Japan for school lunch purpose.

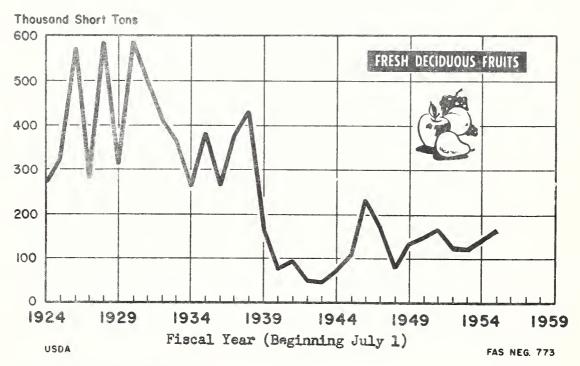
Last year the export statistics included but did not identify shipments of 240 million pounds of CCC-donated nonfat dry milk solids to U. S. pri welfare agencies for overseas distribution. In 1954-55, shipments amount to 202 million pounds.

Exports of nonfat dry milk solids are shown on a calendar year basis in the chart at the bottom of page 18.

Other milk products did well too. Both evaporated milk and dried whole milk exports increased in 1955-56 over 1954-55. These exports have beginning well maintained by competitive pricing. Exports of evaporated totaled an estimated 150 million pounds in 1955-56 compared with 143 min 1954-55. Exports of dried whole milk totaled an estimated 50 million pounds in 1955-56 compared with 42 million in 1954-55. Dried whole milk goes mostly to Venezuela, a steady customer.



1955 partly estimated.



1955 partly estimated.

U. S. egg and poultry exports showed increase. U. S. exports of eggs and other poultry products totaled an estimated \$35 million in fiscal year 1955-56 compared with \$30 million in 1954-55. Most of the trade is in eggs in the shell, baby chicks, and eviscerated poultry. Shell egg exports amounted to an estimated 50 million dozen in 1955-56 compared with 52 million in 1954-55. Over 80 percent of the shell egg exports are made to Mexico, Venezuela, Cuba, and Colombia. Foreign demand for U. S. chicks, generally regarded to be of superior quality, continued to increase in many countries where poultry production is expanding. Canada has been importing more U. S. chickens, capons, and turkeys. In December 1955 West Germany was authorized to buy U. S. poultry under Title I of Public Law 480.

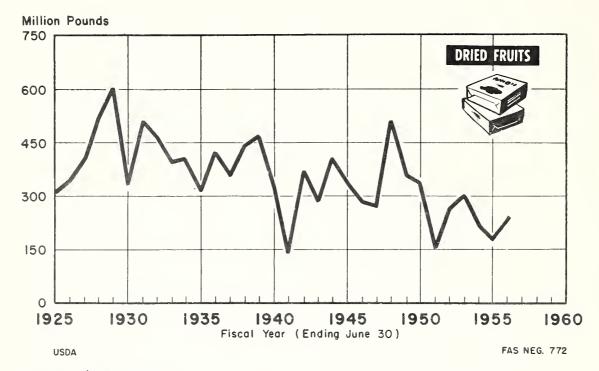
#### FRUITS AND VEGETABLES

Fruit and vegetable export total was 19 percent ahead. Exports of fruits and vegetables totaled an estimated \$325 million in 1955-56 based on shipments through May and FAS estimates for June. The 1955-56 value compares with \$274 million in 1954-55, an increase of 19 percent, and is the largest in 10 years. Factors contributing to the growth of these exports include the increased purchasing power abroad, preference for high quality U. S. products, smaller production of some foreign crops, and relaxation of import controls. Last year, supply shortages in certain areas resulted in increased demand for some U. S. products. Canada's economic growth has strengthened demand for U. S. fruits and vegetables in this area. Canada takes about half of the fruits and vegetables exported by the United States; these items make up about half of its total agricultural takings from the United States.

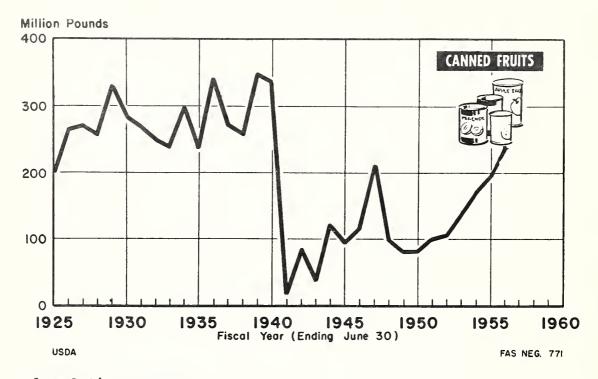
## Fruits

Orange exports set record last year. The year's most striking development in exports of fruits and vegetables was the record volume of fresh oranges. Total for 1955-56 is estimated at 1,330 million pounds compared with 640 million in 1954-55 and the previous record of 823 million in 1953-54. Principal factor in the 1955-56 rise was the Spanish freeze last February which limited the amount of fruit that Spain could ship to other countries in Europe. U. S. fresh oranges are usually not competitive pricewise in Europe in the winter when Mediterranean supplies are heavy. Most U. S. orange exports occur during the spring and summer months, in competition with South Africa and Brazil. Exports of fresh citrus fruit are shown on a crop year basis in the chart at the top of page 20. The crop year runs from November through October.

Apple exports rose but were far below prewar. Fresh apple exports totaled an estimated 110 million pounds in fiscal year 1955-56, a 4-year high. Exportance risen steadily since 1952-53, when a sharp setback took place from the relatively high levels attained after World War II. However, exports since the war-limited by European import controls—have been very much below prewal levels. Exports of deciduous fruits in general have declined to Europe, where production has increased. U. S. fruit can compete there because of superior quality and packing, but delivered costs are higher than those of foreign



June 1956 estimated.



June 1956 estimated.

competitors in part due to higher ocean freight charges. Last year's efforts by the trade to provide a better product should enhance the reputation of U. S. apples: the container was a great improvement over the year before, and the pack was more in keeping with prewar standards. Apple prices in Europe are now more in keeping with the consumers' capacity to pay.

Grape exports gained in quality and quantity. U. S. exports of fresh grapes are estimated at a record 155 million pounds in fiscal year 1955-56 compared with 114 million in 1954-55 and 97 million pounds in 1953-54. U. S. grapes have been moving out in almost steadily increasing volume since the start of World War II. The grape industry made high quality shipments to Europe last year and can expect the results of their efforts to surely stimulate interest in future trading with the United States. Moreover, after an absence of 15 years, California grapes were back on the English market last year.

Short crop slowed U. S. prune exports. Exports of dried prunes totaled an estimated 75 million pounds in 1955-56, slightly under the 77 million in 1954-55 and substantially below the 85 million in 1953-54. Exports last year were limited by the short U. S. crop in 1955. U. S. prunes command a premium in world markets because of their superior size and quality. Low priced Yugoslavian prunes provide the principal foreign competition. However, both foreign and domestic demand for prunes is declining.

Raisin exports showed marked gain last year. A good demand in Europe, a poor quality Australian crop, and a short Turkish crop were of considerable importance in boosting U. S. exports of raisins in fiscal year 1955-56. Year's estimate of 155 million pounds—a 3-year high—contrasted with 83 million in 1954-55 and compared with 119 million in 1953-54. U. S. exports have fluctuated widely. Both U. S. and some foreign raisins have been exported at prices that were lower than those in their own domestic markets. U. S. natural Thompson seedless raisins, although preferred in Scandinavian countries, encounter serious competition in other European countries from Australian, Turkish, Greek and Iranian Sultanas.

Europe took more U. S. canned fruits. Canned fruit shipments reached an estimated total of 240 million pounds in 1955-56, largest volume since prewar years. Last year's exports compared with 194 million pounds in 1954-55 and 172 million in 1953-54. Chief stimulant to exports of canned fruit was a sale to the United Kingdom under the Mutual Security Act. U. S. canned fruits are superior in quality and lower in price than foreign competitive canned fruits.

## Vegetables

Bean exports showed slight recovery. U. S. dry bean exports are estimated at 170 million pounds in 1955-56 compared with 163 million pounds in 1954-55, 248 million in 1953-54, and 367 million in 1951-52. The gain last year reflected the good European demand. About three-quarters of the exports are shipped to Cuba and other Latin American countries, and the balance to Western Europe. Most U. S. exports currently are made from CCC stocks at less than domestic prices. Beans were added last year to CCC's list of commodities eligible for donation to U. S. private welfare agencies for oversed distribution. Shipments in 1955-56 reported by welfare agencies totaled nearly 40 million pounds.

Crop recovery in Europe hit U. S. pea exports. Dry pea exports (excluding cowpeas and chickpeas) declined from the unusually high level of 127 million pounds in 1954-55 to an estimated 45 million in 1955-56. Last year's shipments were comparable with the 55 million pounds moved out in 1953-54. U. S. dry peas are competitive in world markets, chief of which is Latin America. A large share goes to supplement local supplies—mainly from the United Kingdom—in Western Europe. In 1954-55, shipments were increased to help offset shortages due to poor 1954 harvests. Last year, however, crops were better in Europe.

Larger Canadian output weakened demand for U. S. potatoes. U. S. white potato exports are estimated at 360 million pounds in fiscal year 1955-56 compared with 427 million in 1954-55 and 276 million in 1953-54. U. S. exports fluctuate widely, reflecting mainly shifts in Canadian output. Last year's decline in U. S. exports to a more or less normal level was the outcome of larger 1955 crops in Canada, principal foreign market. The United States exported over 50 million pounds of potatoes to Spain last year under Title I.

Canned vegetable exports continued to increase. U. S. canned vegetables exported in 1955-56 totaled an estimated 180 million pounds, continuing the general uptrend of recent years. Last year's volume--a 10-year high--compared with 158 million pounds in 1954-55 and 115 million in 1953-54. Much larger volumes moved out during World War II. Canada's economic growth accounts chiefly for the larger exports of U. S. canned vegetables.

#### PRIVATE RELIEF SHIPMENTS

Exports of CCC donations for overseas needy increased. Shipments of food for relief or charity by private welfare agencies and individuals are estimated at \$175 million in 1955-56 compared with \$142 million in 1954-55 and \$77 million in 1953-54. Increase is due mainly to expanded efforts to dispose of surplus commodities through CCC donations to private welfare agencies for use by needy persons overseas. Public Law 480 has made it easier for U. S. welfare agencies to take over and ship the donated commodities. Main commodities included are nonfat dry milk solids, butter, butter oil, cheese, cottonseed oil, and vegetable shortening; last year beans, corn, rice, and wheat were made eligible.

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UNITED STATES DEPARTMENT OF AGRICULTURE UNITED STATES DEPARTMENT OF AGRICULTURE SERVICE

STATES WASHINGTON, D.C.

FATP 24-56)11

august 13, 1956

# United States-Cuba Agricultural Trade 1/

Cuba continues as the first Latin American market for United States agricultural exports. 2/ It took \$107.5 million worth of products in 1955, or 30% of all agricultural items shipped to the 20 Latin American Republics. This figure, however, represents a sharp decline from the \$159 million exported to Cuba in 1951 when Cuba's income from sugar was at a high level. (Table I)

Table I. Value U.S. Agricultural Exports to Cuba

Average	Million Dollar	rs
1935-39 1940-44 1945-49	18.7 41.5 119.0	A R Y  1 RECORD  1956 *  AGRICULTURE
Year		100
1950 1951 1952 1953 1954 1955	142.0 159.0 154.0 143.4 133.5	CHANTIMENT

Rice was the largest single export item to Cuba in 1955, followed by lard, wheat and flour, pork products, fruits and vegetables, and dairy products. Cuba continues to be the best United States market for lard and cured pork. There has been a decline in exports of most products during the past four years. (Table II)

1/ Prepared in a form for publication by Kathryn H. Wylie, Agricultural Economist, Foreign Agricultural Service.

<sup>2/</sup> See Cuba As A Market For United States Agricultural Products, FAR No. 81, United States Department of Agriculture, Foreign Agricultural Service, September, 1954.

Table II. Composition of U.S. Agricultural Exports to Cuba

	1,000 Dollars			
	1952	1953	1954	1955
Rice Wheat grain Wheat flour Other grains & preparations	49,672 1,282 10,556 4,547	58,817 2,881 8,502 3,469	38,020 3,745 7,422 5,211	20,666 3,107 7,375 3,757
Feeds & Fodders	3,747	2,704	2,967	3,222
Cotton, unmanufactured	3,874	1,553	4,659	1,350
Pork, fresh, cured, canned Other meats & products	10,639 1,178	6,406 2,611	7,495 565	8,897 774
Lard Tallow, edible & inedible	19,704	18,278 1,438	26,989 2,414	20,166 2,276
Eggs in shell	3,557	3,365	2,408	2,683
Milk, condensed & evaporated Other dairy products	4,356 1,632	1,840 780	2,222 625	2,445 1,131
Apples Fruits, canned, including juice Other fruits & preparations	1,088 6,713 1,605	1,015 5,859 1,357	985 5,275 1,315	1,110 3,109 3,484
Pulses, dry Potatoes Onions Other vegetables & products	10,752 3,010 1,958 5,353	8,284 1,418 1,393 4,932	7,110 1,603 1,696 2,527	5,428 1,783 2,031 5,181
Vegetable oils, fats & waxes	3,512	3,435	3,524	2,864
Other agricultural products	3,533	2,914	4,438	4,769
Total agricultural products	153,980	143,251	133,215	107,608

### Cuban Policies Affect Trade

By and large, Cuba's trade with other countries is carried on within the framework of the General Agreement on Tariffs and Trade. Although the Agreement abolished the guaranteed preferences that each country enjoyed in the other's market since 1902, it does contain many negotiated preferences that encourage trade between the United States and Cuba. There are no known restrictions that tend to discriminate against United States farm commodities in the Cuban market in favor of those originating from other countries. On the other hand, Cuba's desire to diversify its economy, to reduce its

dependence on sugar exports, and increase its self-sufficiency in food production has led to adoption of measures that restrict imports. Probably the most severe restrictions are quota limitations and the requirement for individual import licenses on certain commodities. When the importation of a commodity tends to threaten local production, protective measures are requested and generally acceded to in varying degrees by the Government.

Under the GATT, Cuba imports rice at a low duty for a minimum quota of 3,250,000 quintals (330 million pounds). The agreement also provides that additional quantities may be imported at the low duty to make up the difference between domestic production and consumption needs. Several years ago a total of five to six million quintals were imported at the low duty rate. As domestic production has increased, and as Cuba has moved toward protection of local industry, various devices have been used that have resulted in lowering imports. For example, imports are allotted to each Cuban importer, the allotments in turn being divided into quarterly amounts. In addition, during the past season each allotment was restricted to 30 percent broken grains or less that had to be brought into Cuba during the applicable quarter. The latest limitation placed on rice imports is Resolution 98 of July, 1956 that permits importation of grades 1, 2, and 3 rice only and continues the quarterly quotas. These and other restrictions definitely impede the free flow of trade in rice and limit the sale of United States rice to Cuba.

Wheat and wheat flour imports are limited to the International Wheat Agreement quota of 202,000 metric tons (7.6 million bushels) wheat equivalent. Although imports have fallen considerably below this quota during the last two years, importers are still required to obtain licenses for all imports. Under Resolution 323 of the Cuban Ministry of Commerce of August 26, 1953, 80,000 tons of the International Wheat Agreement quota is segregated for the importation and exclusive use of a local wheat flour mill. This in effect restricts imports of flour to 122,000 tons.

For some commodities for which domestic production is normally adequate for consumption but for which occasional shortages develop, it is necessary to obtain a permit for each shipment. Butter is the most important commodity in this category. When the local manufacturers of dairy products felt that imports of butter were becoming a threat to the domestic industry in 1954, for example, they appealed to the Ministry of Commerce for relief. A resolution was issued regulating imports into and the manufacture of butter in Cuba (Resolution No. 180).

In the case of certain commodities, the duty is sufficiently high to restrict imports. When there is a shortage in domestic supply, the duty is lowered or suspended entirely for a limited period or for a limited quota. The import duty on eggs was suspended or greatly lowered at various times during 1955 without quantity limitations. The local poultry industry complained that the market was being oversupplied, however, so that at the beginning of 1956 a quota was established for eggs that could be imported at the special low-duty rate. Feed grains are another example of this policy.

Government policy regarding sales taxes has an indirect effect on trade with the United States because a higher tax is collected on imported commodities than on those of domestic origin. The tax rate varies from commodity to commodity, but for most agricultural products it amounts to 6 percent on the imported product and 4.5 percent on the domestic commodity. The Cuban courts recently decreed that local producers of rice are not compelled to pay the 10 cent per 100 pound sales tax on locally produced rice, even though the Government continues to collect such a tax on each bag of imported rice.

Exports of certain agricultural commodities are controlled also to insure an adequate supply for the domestic market. A quota of 35 percent of the 1955-56 coffee crop was set aside for export. Cacao and corn exports are controlled by requiring exporters to obtain permits for each shipment. No exports are being permitted from the 1956 henequen harvest until domestic cordage mills have acquired adequate stocks. The Foreign Trade Bank organized in 1954, has as its primary function the encouragement of exports of Cuban products by sale, barter, or a combination of both. Agricultural products handled to date consist mostly of sugar and coffee in exchange for cash, hard goods, and as a vehicle in the financing of the tunnel under Habana Bay.

Cuban Government policy has recently been directed toward further diversification in agricultural production. On June 8, 1956, a semi-official company was organized for furthering the production, processing, preservation, transportation, and distribution of agricultural products. This concern, named the Empresa Transformadora de Productos Agropecuarios (Agricultural Products Processing Company) was organized with a capital of 5 million dollars, with the Banco Cubano del Comercio Exterior (Foreign Trade Bank), the BANDES (Economic and Social Development Bank), and the BANFAIC (Agricultural and Industrial Development Bank), each subscribing for \$150,000 worth of shares. The remaining shares will be sold to producers, merchants, wholesalers, rural associations, and exporters.

Among the first projects to be considered by the new organization will be the construction of a coffee-hulling plant, a grain elevator for handling corn, and warehouses for other agricultural products. Other objectives are to improve the quality of agricultural products by financing or operating plants for grading and packing and to finance sales, loans, and barter.

A bill recently introduced into the Cuban Senate would establish a semiofficial agency to be known as the Comision Estabilizadora de Precios
Agricolas (Agricultural Price Stabilization Commission). The organization
would establish minimum prices to producers on various minor crops, including corn, beans, plantains, yucca, peanuts, and oranges. Sugarcane, coffee,
tobacco, and rice would not be included under this law. The Commission would
have authority to purchase crops, if necessary, in order to stabilize prices.

Extensive crop loans to rice farmers during the past few years by the Government-financed Agricultural and Industrial Development Bank of Cuba (BANFAIC) increased local production four-fold between 1949-50 and 1955-56. At the same time United States exports of rice to Cuba dropped by almost 50 percent to an estimated 300 million pounds for the quota year ending June 30, 1956.

#### Possibilities For Expanded United States Exports

Even though ways are found to limit or regulate imports of products that compete seriously with local producers, Cubans in general prefer United States merchandise, manufactured or agricultural, and when they have the dollars they spend freely to satisfy that preference. Market development prospects vary somewhat from commodity to commodity, but the significant agricultural exports to Cuba over the next several years probably will continue to be wheat and flour, rice, lard, and dairy products (see Table II).

There appears to be no economic justification for the present requirement for individual permits to import wheat and flour. Removal of this restriction no doubt would increase total imports into Cuba. The United States has about 90 percent of the wheat flour market and more than 60 percent of the wheat grain market.

Elimination of the restrictions on the importation of rice no doubt would mean that the United States would continue to supply Cuba with at least the basic low-duty quota of 3,250,000 quintals of rice. Increased Cuban efforts to expand production, however, make it unlikely that the United States will ship substantial quantities of rice in excess of the low-duty quota. In spite of the dealer registrations, individual import quotas, etc. that Cuba imposes on imports of products that compete with local production (such as rice, dairy products, eggs, poultry, beef), there is still room for considerable trade in these items. Seasonal imports of butter from January through May, for example, would even out shortages that occur during the annual dry season. For all practical purposes Cuba is self-sufficient in beef production, but the country needs herd improvement that could be accomplished by imports of United States strains of both beef and dairy cattle.

The United States' share in imports of dairy products has increased considerably in the past two years, and the United States now supplies more than three-fourths of the imports of evaporated and powdered milk. Other countries, however, supply most of the cheese and condensed milk imported. A program to expand the per capita consumption of all dairy products would benefit not only the consumer and foreign suppliers but the local dairy industry as well since a large proportion of any increased imports would be handled and distributed by the local industry.

Except for a small domestic production, which is not increasing, all of the tallow used in the manufacture of soap is imported from the United States. The market for United States tallow, therefore, depends upon the local consumption of soap, a product which is widely advertised by radio and television. It is said that Cuba is one of the world's highest per capita users of soap.

Although Cuba is at present the largest market for United States lard and cured pork, the sales of bacon, hams, shoulders and loins could be expanded, as per capita consumption of these items is still relatively low. There is less possibility for expanding lard marketings because annual imports are now more than

three and one-half times the prewar level, and per capita consumption of lard is high. More than 200 tons of frozen poultry are imported annually, and the demand could probably be increased considerably through a sales promotion program. At present the public prefers to buy live birds, and the market for eviscerated poultry is extremely limited. A local broiler industry has grown up in the last few years, however, that may offer serious competition to imports in the future.

Cuba imports approximately 6.5 million dozen eggs annually, or about half the domestic requirements. The United States generally supplies all these requirements because, during periods of seasonal scarcity of domestic eggs, the duty is greatly reduced or suspended entirely for eggs of United States origin only. In early 1956 the Government established import quotas on eggs to keep the market from being oversupplied. To increase imports, therefore, it would be necessary to create a greater total demand.

Taking into account the above factors then, it is reasonably certain that diversification of agriculture is on the increase in Cuba and the Cuban Government will lend its support to protect current enterprises and encourage new ones. In spite of this trend, there is a good market in Cuba for United States agricultural products, and one that could be expanded with any increase in Cuba's national income. This is particularly true at this time when the general economy of Cuba has recovered from the 1953-54 slump to a point in 1955 where the national income was only about 7 percent under the banner year 1952.

# Cuban Imports of Selected Commodities by Country of Origin, Average 1935-39, Annual 1952-54

(In thousands of pounds except as noted)

Lard				
Country	1935/39	1952	1953	1954
United States	38,584	171,137	146,629	
Argentina	50	0	0	
Canada	5	182	0	
Other	42	0	64	
Total	38,681	171,319	146,693	159,871 1/
	Canned	l Mante		
United States			3 F F00	30 103
	982		15,592	
Canada	2		5,055	
Netherlands	2,799	20,388	21,053	7,855
Other	25	62	2,766	0
Total	3,808	55,288	44,466	28,213
	Potat	coes		
United States	51,990		61. 350	
Canada	26,348	17,996	22,765	
Other	115	7,327	17	
Total	78,453	103,072	86,941	113,991 1/
	Bea	ns		
United States	8,189	106,900	84,411	
Mexico	855	66	18,731	
Chile	20,665	12,204	5,799	
Argentina	88	0	0	
Other	4,268	757	14,642	
Total	34,065	119,927		102,458 1/

# Cuban Imports of Selected Commodities by Country of Origin, Average 1935-39, Annual 1952-54 (Cont'd)

(In thousands of pounds except as noted)

Rice, milled						
Country	1935/39	1952	1953	1954 2/		
United States	121,369	473,161	557,316	421,400		
British India	49,418	0	0	0		
Thailand	222,756	0	0	0		
Canada	<u>3</u> /	201	717	0		
Dominican Republic	<u>3</u> /	0	2,044	0		
Other	89,044	1,332	1,503	0		
Total	482,589	474,694	561,580	421,400		
Wheat 4/						
United States	31,489	74,233	312,983	1,683,283		
Argentina	13,778	0	0	0		
Canada	2	15,450	14,917	836,200		
Other	6,700	2,083	2,967	0		
Total	51,959	91,766	330,867	2,519,483		
Wheat Flour						
United States	201,840	215,751	173,885	163,178		
Canada	600	48,673	8,147	15,549		
Other	370	0	0	0		
Total	202,810	264,424	182,032	178,727		

<sup>1/</sup> Breakdown by country not available. 2/ Preliminary.

4/ In bushels.

<sup>3/</sup> If any, included in "other".



# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 24-56

August 13, 1956

United States-Cuba Agricultural Trade

## CORRECTION

Through error the code symbol FATP 24-56 was omitted from the top left corner and the date August 13, 1956 was omitted from the top right corner. Please place this information on your copy.



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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON; D.C.

FATP 25-56

August 15, 1956

INDONESIA'S AGRICULTURAL POLICIES AND PROGRAMS
AFFECTING UNITED STATES TRADE IN AGRICULTURAL PRODUCTS

Introduction: Since attaining independence Indonesia has been strongly nationalistic and this has had an important influence on governmental policy in all phases of the economy. The feeling is widespread that indigenous Indonesians should dominate all sectors of the economy and that the Government favors national businessmen in the development of industry and international trade. For example, all tobacco imported under P. L. 480 must be by national importers, although much of the tobacco will be allotted to foreign controlled manufacturing concerns who have done their own importing heretofore. At this time only national importers are permitted to import goods from Japan. In March 1956 it was announced by the Indonesian Chamber of Commerce and Industry that 80 percent of Indonesia's imports were being handled by national businessmen. Under present circumstances, and looking to the future, United States exporters are finding it mandatory that they build contacts with national importers in Indonesia.

Exchange controls: The Government of Indonesia imposes some form of exchange control on most trade commodities. The Ministry of Economic Affairs has the responsibility of imposing and regulating these controls. In discharging its responsibilities the Ministry has placed much emphasis on trade in commodities most useful to the Indonesian economy and on providing national importers and exporters the opportunity to become more firmly established in international trade.

Applications to import agricultural products are screened very closely by the Trade Foreign Exchange Bureau which issues import and foreign exchange permits. Much attention is given to quality and price. The Import Planning Office considers the applicant's past business history and determines whether the proposed import commodities will supplement national plans formulated by the State Planning Bureau. It usually requires one month, and sometimes longer, for a business concern to obtain final approval of an import license. In the last quarter of 1955, importers not considered strictly national, were required to make a deposit of 5 million rupiahs (\$436,000 at the official rate of exchange) with the Extra Import Tax Office (T.P.I.) for the privilege of submitting applications for import and foreign exchange permits. The deposited funds can be used for future foreign exchange permits. National importers were required to make deposits of only 500,000 rupiahs (\$43,600).

Quantitative restrictions: Import commodities are classified according to domestic need, usefulness to nationally planned economic and political policy, and availability of foreign exchange. Most commodities are classified into Categories I, II, III and IV. These categories impose a surcharge of 50, 100, 200 and 400 percent, respectively. When an importer applies for an import license, he must deposit with TPI the total c & f value of the commodity to be imported, plus the surcharge. Rice and raw cotton are free of surcharge. However, powdered milk, wheat flour, tobacco, and cotton piece goods are in Category I; condensed milk and cheese are in Category II; and canned meat, butter, and margarine are in Category III.

When importers have to deposit 150 to 300 percent of the landed cost of a commodity one month or longer before receiving the import permit, and then wait approximately two months for delivery from the U.S., this encourages Indonesian importers to buy from sources where the freight haul is shortest, thereby tying up their operating funds for less time. Where firms borrow most of their operating funds, interest charges for a period of three months become a significant factor. Also where one-fourth of a year is required to import a cargo of goods, stock turnover could become a problem.

The official exchange rate in 1955 was about 11.4 rupiahs to 1 U. S. dollar. However, the domestic price structure was based principally on the unofficial exchange rate which averaged around 35 rupiahs to 1 U. S. dollar.

Export duties on agricultural products are a minor deterrent at present. Only copra and coffee are so taxed. Both are subject to an export duty of three percent ad valorem, plus a statistical charge of one percent.

Export Promotion: Export business is encouraged by the Indonesian Government. Foreign exchange is generated primarily from raw products, and agriculture accounts for most of Indonesia's foreign exchange earnings. In 1955 agricultural exports totaled 89.6 percent of the value of all exports, excluding petroleum products.

During 1955 the Government classified copra, coffee, rubber, palm oil and sugar as "strong products" in their relation to international trade. Tea, cocoa, pepper, fibers and tobacco were considered "weak products." These weak products were exempt from export duties and export premiums were instituted as follows: Hard fibers 25 percent, tea 20 percent, kapok 15 percent, cocoa 10 percent, certain tobaccos 10 percent, cassava flour 10 percent, pepper 5 percent payable in rupiahs at FOB prices.

Bilateral trade agreements: Indonesia has trade agreements with 24 countries including several in the Communist Bloc. Under most of these agreements Indonesia sells some of practically all of her exportable products and imports commodities required in the various sectors of the economy. Compiled data showing relative commodity positions of these agreements are not available. General opinion in government and trade circles is that present trade agreements are respected only where there are real trade advantages, which means that such agreements accrue very little advantage over trade transactions that

would ordinarily occur in international trade. Recently the press reported the Soviet Union is maneuvering for a trade agreement with Indonesia.

Domestic market and output regulations: There are no domestic programs regulating agricultural output. The Ministry of Agriculture continually encourages a stepping up of production, but to date any response by farmers is voluntary.

An attempt is made by the Government to control the prices of certain agricultural commodities, but control is not very effective. For example: (1) all rice is imported by the government's Food Supply Board (JUBM) and prices are fixed at the wholesale level, but there is no effective means for controlling the retail price of rice; (2) The Netherlands-Indonesia Association for the Sale of Sugar (NTVAS) occupies a monopoly position in the purchase of estates produced sugar, and it is the only seller of estates sugar in Indonesia and abroad; NTVAS sets the price paid to estates sugar mills and the price at which sugar is sold to wholesalers, but it has no control over retail prices; (3) the retail prices of cigarettes are fixed by the Government, but the actual retail prices are higher; (4) the Copra Foundation has attempted to stabilize prices paid to producers, but it has not handled enough of the copra produced to be effective in its objective. In July 1956 the Copra Foundation was dissolved and a committee of government officials and copra producers has been appointed and charged with the responsibility of establishing a Central Copra Cooperative within one year. When fully organized this cooperative is to be sole selling agency for all copra in Indonesia.

Agricultural price support programs have not been attempted. However, the Peoples' Agricultural Service of Indonesia recommends government control of the prices of essential agricultural products "to ensure farmers of a fair share of the consumer's price."

Agricultural development programs: Agricultural development and production programs in Indonesia will have little effect on trade with the U. S. within the next few years. Increase in agricultural output will come slowly, for the Indonesian economy is not sufficiently developed to plan, organize and execute quickly programs for increased production.

Indonesia's present Five Year Plan in agriculture is concerned primarily with the production of required food and fiber for its population of 82 million which is increasing at an annual rate of 1.7 percent. Major emphasis is being placed on serving the many small farmers. Land policy is and will be tied around transmigration, improving irrigation facilities, long term credit for becoming established in farming, soil conservation, commercial fertilization, farm to market roads, research and other factors essential to agricultural development. During the five year period the Ministry of Agriculture plans to spend 6 billion rupiahs (\$523 million) in the implementation of its program. A 10 percent increase in agricultural production within the planned period is the overall goal.

The large farm estates operated mostly by foreign capital are receiving less attention than formerly. Their production may decline during the next

few years. Some national leaders think all estates should be taken over by the government as soon as leases expire or by purchase. This attitude creates uncertainty concerning the status of estates and is preventing capital repairs and improvements which are essential to maintaining high production. The estates produce primarily for the export market. Their exports have been a main source of foreign exchange which is needed greatly by Indonesia at present to purchase needed commodities from other countries.

Outlook: Domestic needs for rice, tobacco, wheat flour, milk products, and limited amounts of raw cotton offer the best trade opportunities for U. S. exports to Indonesia. Major deterrents to purchasing U. S. agricultural products are (1) relatively high U. S. prices, (2) time consumed by transportation, and (3) the tying up of relatively large sums of money for a much longer period of time between the dates of purchase contracts and delivery dates than when importing from nearby sources. U. S. agricultural exports to Indonesia depend on how competitive U. S. products can come to be with those from other countries.

Indonesia has its first representative government which was elected in November, 1955. This new government is now assessing the economy's problems and formulating plans for the immediate years ahead. Indonesia has abundant raw materials and labor, and the Five Year Plan calls for building more plants to process paper, tobacco, sugar, fibers and other raw materials, thereby reducing imports of finished products and building for export trade. However, deterrents to such plans are the lack of investment funds and technical knowhow in all parts of the economy.

Overcoming these obstacles in this young republic will be slow and tedious. The situation must be faced up to by present leaders, for the economy generated and maintained by the Dutch is now being transferred to less experienced shoulders with less financial resources and education.

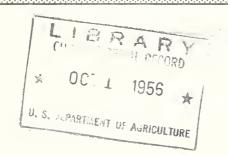
The National Planning Board has suddenly come into a more prominent position, because all branches of the new government are beginning to realize that the time of getting ready to do something constructive is over and the time has arrived for selecting a sound course of procedure and translating it into action. The Five Year Plan in agriculture was formulated two years ago, but its implementation has been meager, thus far, due to the Ministry of Agriculture waiting for a more representative form of government and a lack of appropriated funds.



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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.



FATP 26-56

August 16, 1956

Belgian Congo
Agricultural Situation Report
1955

#### General

The year 1955 was one of prosperity and expansion for the Belgian Congo. Exports increased in quantity and also in value 1/particularly as a result of high prices for minerals. With the exception of rubber, palm oil and limba, prices for agricultural products were lower than in 1954 but the rise in prices for minerals more than compensated, thus giving the Congo a good year. The total value of the Congo's exports in 1955 was \$462,859,733 2/as compared with \$404,493,100 in 1954; and the total quantity exported was 1,386,794 tons in 1955 as compared with 1,347,330 in 1954 3/. Of the 1955 exports, minerals represented 63 percent of the total value, and vegetable products — if wood is included — about 33 percent.

- \_\_\_\_\_/ Certain distorting factors are involved in export statistics -i.e. lags in values behind world market, no account taken of re-exports and calculation of goods carried on railways through Angola Dar-es-Salaam.
- 2/ Values have been converted from Belgian Congo francs to U. S. dollars at the official rate of 50 B.C. francs to \$1.00
- 3/ All quantities referred to are metric unless otherwise specified.

  l metric ton equals 2,204.6 pounds.

Imports also increased in 1955 over 1954 both in quantity and value. The Congo's imports for 1955 totalled 1,705,075 tons at a listed customs value of \$369,370,888. The comparable figures for 1954 were 1,625,870 tons and \$361,533,967.

As in previous years, Belgium was the leading supplier and the best customer of the Congo. The United States ranked second as a supplier and third as a customer. European competition for the Congo market was keen, and at the same time, the Congo had a variety of customers for its products.

The estimated Gross National Product of the Congo in 1954 was \$1,096 million. Agriculture, forestry and fishing ranked first, providing \$294 million with mines and metallurgy second, accounting for \$242 million.

#### Prices

The index of prices for agricultural products declined from 116.65 in 1954 to 107.49 in 1955 (1948-1949 equals 100). The Bulletin of the Banque Centrale lists average annual market prices for the Congo's principal agricultural commodities as follows:

Commodity	Average Price		Price	
			1954	1955
Robusta coffee Arabica coffee Cocoa Rubber Copal Cotton lint Palm oil Palm kernel oil Palm kernels Peanut oil Cotton oil Maize Urena Limba	(cents per (	1b.)  n )  n )  n )  n )  n )  n )  n )  n	56.94 78.90 55.99 23.18 12.85 35.11 10.00 12.37 6.50 16.75 15.56 3.18 13.18 108.50	41.00 57.08 36.49 38.18 12.62 34.59 10.81 11.13 6.32 13.01 14.59 3.17 12.77 132.55

## Exports

The major destinations for agricultural products exported from the Congo are as follows: Robusta coffee to Italy, Belgium, and the United States; Arabica coffee to Belgium, West Germany, the United Kingdom and the United States; palm products go in large quantities to West Germany, France, Italy, Netherlands, Belgium and the United States; rubber to West Germany and the Netherlands; cotton, Belgium, United Kingdom, Sweden, Kenya-Uganda. The only exports from the Congo to Soviet satellites were, according to Customs statistics, palm oil cake and manioc flour to Czechoslovakia; no exports are listed as destined for the USSR., Hungary, Rumania, Poland or Albania.

### Comparison of Exports for Calendar Years 1954 and 1955

Commodity	Metri	ntity c Tons 1955	Value U.S.Dollars 1954 1955
Coffee Cotton, lint Palm oil Rubber Palm kernel oil Wood Palm kernels Cocoa Bleached palm oil Cotton oil cakes Bananas Palm nut oil cakes Copal Cotton oil Peanut oil Tea Urena	25,506 170,060 71,808 2,985 19,806 21,060 17,281 26,769 7,241	41,385 137,470 26,083 35,144 166,704 63,198 3,478 12,888 23,364 30,123 32,033 7,497 6,510 5,224 919 2,538	\$39,072,200 \$40,881,460 30,480,720 31,922,420 21,366,860 27,252,220 8,192,600 15,938,302 6,764,980 7,973,400 7,321,580 7,679,460 9,443,020 7,146,700 3,059,080 2,993,960 3,866,900 2,653,680 1,263,680 1,728,600 1,258,540 1,716,640 1,381,820 1,633,440 1,437,780 1,551,460 1,404,180 1,469,520 1,957,340 1,283,480 415,260 922,480 550,820 684,100
Peamut oil cakes	7,033	5,781	573,380 494,260

#### Coffee

The single, most important agricultural export was coffee. Exports for 1955 were 9,239 tons more or 21 percent higher than those of 1954 and were divided as follows:

Belgian Congo	1954	1955
	Metric	c Tons
Robusta	20,340	21,637
Arabica	5,304	6,291
Ruanda-Urundi		
Arabica	8,791	15,746
	34,435	43,674

Robusta's progress is relatively less important when it is recalled that ten years ago the quantity exported was 20,787 tons. Nevertheless, the Union des Producteurs anticipates an improvement with the entry into production of new plantations which represent an area about equal to three-fifths of the present productive plantations. Arabica exports increased by about 20 percent over those of 1954 although the area cultivated dropped off by 331 acres. The big gain in Ruanda-Urundi resulted from the extensive cutting out and better border controls designed to prevent frauds to avoid payment of taxes.

#### Cotton

According to the annual report of the Compagnie Cotonnier Congolaise, "Cotonco", the largest of the Congo's cotton companies, production in 1955 was much the same as in 1954. The total received by Cotonco and its two branches was 117,587 tons of seed cotton for 1955 (as compared with 116,559 tons in 1954) which corresponded to about 185,000 bales of United States cotton. For the entire colony, according to Cotonco, production was 151,312 tons in 1955 as compared with 148,000 tons in 1954. Current reports indicate that the yield for 1956 may be slightly higher than that of 1955.

By February 2, 1956, the date at which Cotonco was reporting, the Comptoir de Vente des Cotons du Congo had already sold, or covered at satisfactory prices, the total Congo cotton stocks existing at the end of 1955. A reduction in the export duty from 15 percent to 12 percent was to be made, retroactive to November 1, 1955. This reduction, plus lower transportation costs and lower rates of insurance, would to a certain extent compensate native growers for lower prices.

The outlets for the Congo's cotton in 1954 and 1955 were as follows:

Country		<u>Quantity</u> Metric Tons		ars
	1954	1955	1954	1955
Belgium	34,055	35,734	\$24,597,560	\$27,563,380
United Kingdom	4,229	2,337	3,028,540	1,807,600
Sweden	2,661	2,071	1,921,200	1,604,980
Ken <b>ya-</b> Uganda	799	532	573,460	406,340
So. Rhodesia	445	400	322,560	307,000
South Africa	50	265	37,400	197,460
Norway		44		32,780
Sudan		2		2,800
Tanganyika		•05		80
Total	42,239	41,385	\$30,480,720	\$31,922,420

# Palm products

Since 1945 the production of palm oil in the Congo has increased by 54 percent and at the end of 1954 plantations covered 207,077 acres, natural palmeries nearly 140,000 acres.

The Union Professionelle des Producteurs d'oleagineux found 1955 a good year for palm oil with certain clouds on the horizon. Prices at the beginning of the year were firm but early in the second quarter declined at the prospect of record world production. The workings of demand, however, were such as to restore prices and by August 1955 the price had become more or less stabilized.

The market for palm kernels and palm kernel oil in 1955 was irregular and, taken altogether, low. The Chamber of Commerce sounded a warning note to the effect that the palm kernel oil industry in the Congo was running ahead of production and ruining itself by intense intra-Congo competition, despite its good equipment and excellent methods of operation.

The cloud on the horizon indicated by the Union of Producers was the necessity of finding new markets for the Congo's palm products. The Union had insisted to the Government, and would continue to so insist, on direct negotiations with the United States to obtain the suppression of the processing tax, a well-known complaint of the Congo palm producer. In addition, Germany had imposed what the producers called a discriminatory 6 percent entry duty on palm oil.

#### Rubber

Rubber had an excellent year, by Congo standards, both in production and sales. The high price of natural rubber on the world market was of course the main reason for the fine return on exports, and the improved production, according to a reliable Government source, where mainly as a result of new plantations coming into production. The annual rubber production has been consistently running ahead of the estimates of the Ten-Year Plan.

The main buyers of the Congo's rubber in 1955 in order of importance were:

Country	Quantity Metric Tons	Value U.S. Dollars
Belgium France United States Holland West Germany Others	14,013 4,780 3,091 1,722 1,544 932	\$ 8,470,827 2,887,261 1,881,478 1,164,989 943,743 590,004
Total	26,083	\$15,938,302

Early in 1955 an export duty of 7 percent was put on rubber, as recognition of the Government's awareness of its strong position.

#### Wood

Exports of wood in 1955 of various kinds (logs, boards, etc.) were slightly less than 1954 (166,704 tons as compared to 170,060 tons) as a result of Government restrictions in the interest of conservation. The Government Services concerned have, in fact, now set a preliminary figure of 60,000 cubic meters (2,118,600 cubic feet) per year for limba exports from the Mayumbe from which comes about 90 percent of the Congo's limba. The local plywood industry made a noticeable gain, 11,449 tons as compared with 7,404 tons in 1954.

#### Cocoa

Cocoa had quite a good year although the drop in price meant a smaller return for more exported. New areas have been brought into production—between 1951 and 1954 approximately 15,700 acres—and there are presently said to be 50,570 acres of cocoa cultivated in the Congo with the prospect of continued expansion. Although the Congo is not a major cocoa area, its product enjoys a more or less assured market because of its quality.

# Fibers

Exports of fibers (urena, punga, sisal, etc.) in 1955 were 5,132 tons as compared with 2,504 tons in 1954, and 7,346 tons in 1953. The difference between 1954 and 1955 came from exports of certain waste and lower quality fibers which in 1954 had been used by the local sack industry; in 1955, however, the factories had more stock on hand and thus more was available for export.

## Imports from the U.S.

The United States was second in supplying imports to the Belgian Congo in 1954 and 1955. In 1954 the value of imports from the United States was \$69,838,280 which accounted for 19.3 percent of total imports; compared with \$71,844,840 and 19.4 percent in 1955. Major agricultural imports from the United States in 1955 were as follows:

1.	Flour and cereal products	\$2,596,013
2.	Clothing	1,173,193
3.	Tobaccos and products	1,042,442
4.	Cotton textiles	914,552
5.	Dairy products (mainly canned milk)	784,644
6.	Used clothing	678,618

FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

WASHINGTON D.C.

LIPERA RY

OCT 1 1956

MALAYA'S AGRICULTURAL POLICIES AND PROGRAMS THAT MAY
AFFECT UNITED STATES TRADE IN AGRICULTURAL PRODUCTS

## Introduction

Malaya is in a transitional period from colonial status to self-government. Up to the present time this transition has been made in a more orderly fashion than was expected in view of the armed rebellion in the Federation, and the Singapore riots and unrest of the past 18 months.

Malaya is in the sterling area and her trade policies, including exchange controls, restrictions on dollar imports, import licensing, and preferential tariffs, follow the pattern found in most sterling bloc countries. The present elected government of the Federation has stated its intentions of staying in the sterling area and maintaining essentially the same trade policies after independence. There are increasing expressions of nationalism and it appears that some increase in tariffs to protect local industries may occur in the Federation. However, the sentiment in Singapore is heavily in favor of remaining as a free port in hopes of maintaining its entrepot status.

# Trade regulations

While Malayan exports to the United States are quite substantial, their imports of U. S. agricultural products are quite limited. A relatively small share of their dollar earnings, which go into the sterling pool, are allocated to Malaya for the purchase of dollar goods, and exchange controls are applied to all dollar purchases.

Import licenses must be secured for all goods imported. Licenses are issued freely and dollar exchange granted for fresh apples, oranges and citrus, and for certain dried fruits. Licenses are issued for imports of dried whole milk from dollar areas only to special importers, while for most other agricultural commodities licenses are not issued and imports from dollar areas are prohibited.

Although Singapore and Penang are considered free ports, most agricultural imports from dollar areas are subject to import duties or tariffs, while similar items from British Commonwealth sources are duty free or are accorded a preferential rate.

An important change that has occurred in import regulations in the past year has been a change in the method of assessing the value of imported products for import duties in the Federation of Malaya. Previously import duties have been assessed on a declared or invoiced price of goods imported, while at the present time a system of assessing goods on the "open market value," apparently based on wholesale prices, has been adopted. This method tends to standardize the assessed value and tax paid on imports of the same item regardless of its source, in contrast with the previous system under which the declared value and duty paid varied considerably depending on the importer's source of supply, the method of purchase, and financing, etc. This new method has resulted in a considerable increase in import taxes because of the generally higher assessed value. Import duties in the Federation range up to 25 percent ad valorem in about 40 broad categories. The increase in evaluation for duty purposes will also increase the advantage to Commonwealth suppliers because of the lower preferential duty rates.

Duty rates on tobacco and most tobacco products were increased in the Federation within the past year but remained the same in Singapore. The present duty on cigarettes from non-Commonwealth sources is \$3.46 (U. S.) per pound in the Federation and \$2.21 in Singapore. Rates on leaf tobacco from non-Commonwealth sources are \$2.51 per pound in the Federation and \$1.45 in Singapore. The duty rate for sterling area leaf tobacco is about seven cents a pound lower than the figures listed above, while for cigarettes the rate is about 16 cents lower.

Tobacco is one of the commodities for which import licenses from dollar areas are not issued. However, substantial quantities of tobacco, textiles, fruits and vegetables, meat products, and certain other agricultural products from the United States reach Malaya by way of Hong Kong. Such goods are paid for by the local importer in sterling, with the sterling-dollar exchange effected in Hong Kong where from 5 to 10 percent is added to the cost of the product. There are no quotas on such imports and apparently the only limitation is the dollar availability in Hong Kong.

## Price supports

Malaya has price supports for only one commodity--rice. The Government's policy of fixing minimum prices on rice has been primarily to assist the small rice producers to obtain a fair price. However, the minimum price was raised and lowered with fluctuations in world prices and no effective system of enforcing price supports had been devised prior to 1955. With the falling world rice prices approaching the minimum price in Malaya, the Government authorized an import duty for rice to be imposed if import prices fell below the prescribed minimum fixed for domestic producers. Purchase of domestic rice at or above the floor price for Government stockpiling was also begun. No duty on rice imports has yet been imposed, since the import price has remained above the minimum since the tariff policy was adopted.

### Export promotion

The semi-governmental Pineapple Advisory Board has carried on limited export promotional activities, primarily in advertising Malayan canned pineapple at trade fairs and in publications of other countries. In addition quality improvement is being emphasized to packers and legislation has been introduced which would prohibit the export of canned pineapple not meeting specified standards fixed by the Government and industry.

The other agricultural export crops such as rubber, coconut oil, palm oil, betel nuts, and tapioca and sago starch find ready markets without export promotion.

### Development programs

The general Malayan agricultural policy is to improve agriculture, particularly among the smallholders, and to increase production with emphasis on foodstuffs. The main sources of Malaya's wealth have been rubber and tin. Tin is being depleted and rubber is being threatened by synthetic production. It has been decided that a more diversified and balanced economy is desirable and that agriculture offers a larger potential for increased diversification than other fields.

Most of the Government's expenditures for agriculture have previously gone to aid in replanting rubber with higher yielding varieties and for irrigation and drainage works, chiefly for rice. However, expenditures for increasing production of crops other than rubber and rice are increasing and additional emphasis is being placed on supplying more of Malaya's food requirements from local production.

The Government has been experimenting with cacao for several years and has now started a program of commercial planting. Government owned land is being leased to cacao planters at favorable rates. The policy is to develop both small family farms and large estates in a large area in Eastern Malaya.

Research to develop new high yielding varieties of rubber is continuing and a large amount of improved planting material has been produced for the rubber replanting scheme which is financed largely by an export tax on rubber. Present plans call for replanting 3 percent or 60,000 acres of estate rubber annually and the goal set for smallholders is 500,000 acres or one-third of the total to be replanted by 1959. However, both of these schemes are behind schedule.

An extensive program to increase rice production is under way in an effort to lessen dependence upon imports. The program has involved development of higher yielding varieties, increased fertilization, improvement and extension of irrigation and water control facilities on paddy land, and land clearing for rice production.

The Government is conducting research in the production of oil palms and in methods of improving the processing of palm oil. A coconut experiment station

has been established to develop better varieties and to improve methods of cultivation. The Federation Government plans to encourage increased production of fruits, vegetables, and other food crops as well as livestock products including poultry, dairy products and meat animals.

In Singapore a government-operated milk recombining plant is being planned using equipment donated by Australia under the Colombo Plan. The plant will have a maximum capacity of about four million gallons annually, although production is not expected to exceed three thousand gallons a day initially. Consideration is being given to using one-fourth of the total capacity to provide milk for a school lunch program.

## Land policy

No uniform land code exists in the Federation and at present a variety of ownership patterns prevail. Most land is held in perpetuity and landowners are subject to the payment of a fixed annual rent or tax. Plans for standardizing the system of registration in the near future are under way.

These reservations have been established in most states to insure that the land would remain in the hands of the Malay cultivators. Without these restrictions on ownership by other groups the land tends to become mortgaged and to pass out of the hands of the Malays. However, most of these reservations are in rice producing areas and this has tended to limit rice production almost exclusively to Malays.

# Future policy

The granting of independence to the Federation of Malaya seems assured by August 1957. The Government leaders have indicated that Malaya will remain in the sterling bloc after attaining self-government. They have stated that as long as the balance of payments problem in the sterling area as a whole remain, it would be necessary for the Government to continue to exercise restraint in its dollar expenditures. However, after independence the responsibility for applying this policy will rest with the elected Federation Covernment, who will send a delegate to all meetings of the Commonwealth Finance Ministers Conference. Malaya has not been represented on that committee in the past. It may be that an independent Malaya will be able to secure a larger share of their own dollar earnings for themselves, which would result in some liberalization of exchange controls and in granting import licenses to dollar areas.

While a significant increase in yields and some expansion of acreage is expected to result from the Government's rice program, it is apparent that Malaya will not attain self-sufficiency in rice production in the near future because of the limited land reserves suited to rice production and the cost of land clearing and development in relation to the relatively low level of rice prices in nearby surplus rice producing countries.

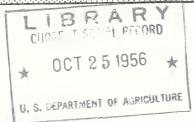
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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 28-56



August 30, 1956

Iran's Agricultural Policies and Programs.

Eighty percent of the population of Iran is engaged in subsistence farming and livestock grazing. However, Iran's principal source of income for development is its oil royalties. In 1955 was completed the first seven-year program of economic development, utilizing oil revenues. A second seven-year plan has been adopted to further Iran's economic development.

## Agricultural Development Programs

In an attempt to shape a design for the proper development of its agricultural resources Iran's Plan Organization is preparing an overall second seven-year plan for the entire country and is making a number of basin (or area) plans giving detailed information as to resources and a proposed program for each area.

The plans for agriculture include agricultural training 1/, crop improvement and extension, animal husbandry, plant diseases and pest control, forestry, rural community development, agricultural extension, agricultural machinery, meteorology, rural economy and agricultural engineering, silos and agricultural industry. The plans for irrigation cover irrigation and dam surveys, irrigation and dam construction, ganats (a series of connected open wells) and deep wells. The other two major items in addition to agriculture and irrigation are a survey of the Khuzistan plain and the erection of a fertilizer plant. The total appropriation ear-marked for these four major projects over the period of seven years is about \$291 million.

<sup>1/</sup> Some 240 students already are studying agriculture in the United States.

The Khuzistan plain (southwest Iran) is currently receiving considerable attention. A contract has been made with an American firm for a complete survey, including an irrigation plan for the area near Dizful, and an irrigation plan (including drainage) for the area near Ahwaz. The Plan Organization has contracted for about 1,335 acres of cotton in Khuzistan this year. There has been none produced in this area in 12 years because of the spiney boll-worm. The Plan Organization has also established a budget of \$26,667,000 for the construction of three new 1,000-ton cane sugar factories. The Iranian Sugar Company is desirous of building a 200-ton cane sugar refinery at Ahwaz in lieu of one of these factories. This would refine raw sugar purchased from abroad and as the proposed increased cane production is realized in the Khuzistan province, the amount of raw sugar purchased would be reduced.

The Karkheh Dam has been completed, and after some additional work on the canals it is anticipated that some water will be diverted for the 1957 crop. An anticipated 88,950 acres of land is to be irrigated eventually from this source, but only about 12,350 acres will be irrigated in 1957. This is to be accomplished by distribution of land and water to individuals who will each own tracts of from 35 to 50 acres. The total capacity of this system is about 60 cubic meters per second, 45 cubic meters on southeast side and 15 cubic meters on northwest side of the valley. There will usually not be more than 20 cms. of water available for diversion during late season. Water for the remaining capacity will only be available during the high run-off seasons and can only be used for supplemental irrigation.

The diversion of the Karun River to the Zayandeh River in the Isfahan area was completed in 1955 and about 12,350 acres of additional land cultivated that year. The full effect of this diversion is now being felt and a total of about 42,000 acres of additional land is being cultivated and irrigated. It is also reported that land formerly irrigated has a better water supply than previously.

Until the last few years, the use of irrigation wells (other than ganats) has been very limited. However, there is now rather extensive development of this type of irrigation facilities in some areas. It was reported that several hundred pumps have been sold in the Shiraz area. The same type of development is also occurring in Yezd and Birjand. A few deep wells, about 100 meters, are being dug and pumps installed on a more or less experimental basis in some other places.

#### Foreign Trade in Agricultural Products

Since for generations Iran has been on a self-sufficiency basis in agriculture and has exported agricultural commodities only in times of plenty and imported in times of scarcity, there has been little attention given to an aggressive trade development. Iran's principal commercial exports are cotton, rugs and carpets, dried fruits, rice, sausage casings, and wool.

On April 16, 1956 the Iranian-Polish Trade and Payments Agreements became effective, replacing the agreements of October 8, 1952. These new agreements are valid for one year from the effective date and are automatically renewed unless denounced by one of the parties. The new trade agreements provide for fixed quotas of specific commodities up to a total amount of \$10 million each way. The two principal agricultural items of Iranian exports are cotton (\$3 million) and rice (\$2 million). The most important Polish agricultural export is sugar (\$500,000). The account will be maintained in Pounds Sterling. In the recasting of the list of Iranian exports to Poland, the number of strategic materials has been sharply reduced.

Negotiations carried on between France and Iran for the purpose of more liberal trade between the two countries based on a Protocol signed on November 8, 1955 makes cotton the most important item in the export trade.

Trade and payments agreements between Iran and Hungary were signed on June 4, 1955. In the list of items to be exported by Iran to Hungary, was included cotton, rice and wool. Items which Hungary proposes to export to Iran include almost every conceivable manufactured article produced in that country and the agricultural product, sugar.

Since the re-establishment of diplomatic relations between Iran and Japan in 1953, the two countries have attempted to get together on satisfactory trade understandings. The Japanese wish to sell manufactured textiles and want in return to receive Iranian rice.

## Purchases from United States under Public Law 480

On February 20, 1956 the Government of Iran signed a general agreement with the United States for the purchase under P.L. 480, Title I, of 12.1 million dollars worth of wheat, butter, butter oil, and vegetable oil. Purchase authorizations have been issued for 27,000 metric tons of wheat which started to arrive at Khorramshahr about June 26. Negotiations have been completed and a contract

signed for the purchase of an initial shipment of 500 tons of butter and 1,500 tons of butter ghee from Commodity Service Corporation of New York. Seven hundred and fifty tons of the ghee are to be purchased for free dollars.

As a direct effect of PL 480 negotiations, the import regulations of Iran have been changed by the lifting of a ban on importation of animal fats (except pork products). Butter and butter oils may now enter the country duty-free. Foreign exchange has also been provided for their importation.

### Other Agricultural Programs

According to an Iranian Government decree a Cotton Executive Committee was founded as of March 1956 for the control of all Iranian cotton. Ginning plants are also under the Government's supervision.

The Government wheat purchase program for 1956 has recently been announced. Tentatively the prices will be the same as in 1955.

Evidence indicates that the Government of Iran is serious in its efforts to control opium production. It is felt that the acreage devoted to poppies is very limited, and that most of the acreage formerly used in this production is now planted to wheat, cotton and sugar beets.

In order to increase revenues, the Government of Iran has increased local taxes and consequently added 2 rials  $\frac{1}{2}$ /per kilo on sugar and one rial on each pack of 10 cigarettes.

## Major Agricultural Objectives

The various programs and schemes discussed above are aimed at the attainment of general agricultural and industrial development and the improvement of the social and economic conditions of the people. As a result it is expected that the per capita purchasing power will increase and so will the demand for food consumption. More specifically, Iran expects to exert its agricultural effort along the following lines: (1) Maintenance of self-sufficiency in wheat, (2) Production of rice and tobacco for home use, and partly for export as the market demands, (3) Improvement in the quality of cotton and increase of production to meet growing demand at home, and to export in a small way, and (4) Increase in production of dairy products and other food items for home consumption, and maintenance of traditional fruit and nuts exports.

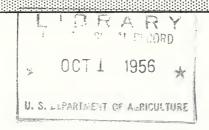
1/ One rial equals about \$0.013.





# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.



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August 31, 1956

# NEW SWEDISH LIBERALIZATION OF DOLLAR IMPORTS MAKES FEW CHANGES IN AGRICULTURAL LIST

On July 1, the Swedish Government modified the list of commodities which are not subject to quantitative restriction when imported from the dollar area. Appended to this list of liberalized commodities is, as before, a list of commodities on the so-called transit dollar list. For the latter, import licenses will be granted freely if payment is made in "transit dollars" on which a premium of a few percent is paid, or, if procured in a non-dollar country, payment is made in currency stipulated in Sweden's agreement with that country.

The new lists do not differ significantly from those previously in effect in respect to agricultural products. Rice flour is a new product on the liberalized list, and flaxseed and linseed oil have been moved from the transit dollar list to the free list, as have some meat products of minor importance. Copra and certain animal fats have been added to the transit dollar list.

Unmanufactured tobacco, apples and pears, are no more on the transit dollar list, nor are they on the liberalized list. According to present claims apples and pears never were on the transit dollar list, but were mistakenly reported as being on the previous list.

It is reported that the Agricultural Marketing Board--the agency responsible for licensing of most agricultural products--has been instructed to give favorable consideration to applications for licenses for several commodities not on the free list and including apples and pears, coarse grains, oilcakes. soybeans and salted horse meat.

The agricultural products on the dollar free list and the transit dollar list are given below.

## Agricultural Products on the Dollar Free List

	-
Statistical number	Commodity
	Live animals and animal products
10:1-11:2	Live animals, unspecified (other than horses, cattle, sheep and hogs.)
14:5-6 21-22,23:2	Meat and other edible parts of reindeer Meat and other edible parts of animals other than birds, reindeer, sheep, horses, cattle and hogs.
ex 73 74	Artificial honey  Bone and horn, either unworked or sawn, split or filed,  including bristles and split quills
77 78:1-2,79 80-82	Bristles Horsehair Feathers, unspecified
83:1-2	Intestines; blood and unspecified parts of animals; unspecified animal waste products
84	Dead animals, not edible, also stuffed or otherwise preserved.
	Vegetable products
85,86,87-96,) ex97,98-99 ) 100-101	Live plants, flowers, bulbs etc. Also dried plants, excluding alfalfa meal. Sugar beets, chicory roots
103-105	Edible roots n.s.m (except manioc and arrowroot) including harseradish.
108:3-123	Tomatoes, to to puree, other vegetables, fresh or cooked, including onions. Also salted and dried vegetables. Capers and edible mushrooms. Hops, hay and straw.
135-152	Dried or salted apricots, bananas, prunellas, cedrates, peaches, prunes, pears, quetch plums, apple peels and cores, and chopped apples. Also raisins, currants, figs, dates, peel of lemon or orange. Walnuts, hazelnuts,
èn.	chestnuts, almonds, other nuts. Also kernels of hazelnuts, cashew nuts, apricots, peaches or plums. Grated coconut and other nuts n.s.m.
155:1-156,) 158-169.2)	Mate, tea, spices except unground mustard
172 185	Rice, unhusked or with only the outer husk removed Rice flour
188 19կ <b>։</b> 1	Milled rice Almond bran
202 <b>206</b>	Baking and yeast powder Flax seed
223 ex 225	Flower seed Canary seed
227-243:2	Dyestuffs and tanning substances, also resins. Materials for wickerwork.

## Fats, oils, wax, etc.

246-247	Wool fat and lanolin, as well as degras and other tanner's fats.
257 260 268:1	Olein Crude linseed oil and linseed oil acid
277-278	Castor oil. Wax, unspecified, including artificial
	Manufactured food products, etc.
279:1,279:4 280:1-2 282 292:1 292:12	Soy sauce, sauces with less than 20% fat content Meat extracts; condensed soups Goose liver paste Malt sugar Children's flour and other fortified flours: thick malt extract
	as well as other unspecified health food, excluding certain fat emulsions and baking ingredients with more than 10% fat content.
294	Licorice, not classifiable as confectionary
295-297	Cocoa beans, cocoa powder, and cocoa butter
298	Chocolate, including chocolate containing sugar, milk, vanilla, or other flavoring substances.
299:7-8	Unspecified confections, excluding ice cream, ice cream powder, pudding mixes prepared with milk or egg, and wafers, with more than 20% fat content.
303:1	Corn flakes and similar products of cereals or other vegetable substances, processed by distending or roasting (not classifiable under another number).
304	Dessert cookies, not classifiable as confectionary
305	Gingerbread and other kinds of fancy cakes
306	Dog biscuits
308	Yeast
309-311	Unspecified garden produce, as well as edible fruit and berries, bottled in alcohol, vinegar, or oil, or candied.
312	Mustard paste
313	Coffee substitutes containing no real coffee
318:1-320:2	Canned fruit, berries, garden produce, and roots
321:1-321:4	Canned soups
321:5,321:7) ex 321:8 ) 321:9 )	Canned goods, not classifiable under another number, with the exception of those containing pork, horsemeat, beef or mutton
322-326:4	Mineral water and carbonated non-alcoholic beverages; malt beverages; berry and fruit juice, as well as other unspecified beverages containing not more than 2½ percent alcohol and not classifiable as malt beverages.

# Textile fibers, etc.

Hides and Skins

644-691

892-903,905:1 ) Raw silk, wool, cotton, and other textile raw materials 906-910.912-917)

Hides, skins, and fur skins and manufacture thereof

## Agricultural Products on the Transit Dollar List

Statistical number	Commodity
	Live animals and animal products
12-14:4	Goose liver; meat and edible parts of game
	Vegetable products
124 <b>-1</b> 29:4,) 132: <b>1-</b> 134) 153 <b>-1</b> 54	Edible fresh or cooked fruits and berries, excluding apples and pears  Coffee, including coffee substitutes with some real coffee added
204	Copra
	Fats, oils, wax, etc.
251-256 258:1 268:2 268:4 273:1	Animal oils and fats, not classifiable under another number Fatty acids of wool-fat and castor oil (including dehydrated) Chineese or Japaneese wood oil Oiticica oils Bayberry oil and tengkawang oil
	Manufactured food products, etc.
279:3 281:1	Sauces, with more than 20% fat content Sausage; other foods produced by a process other than cooking, pickling, drying or smoking
292:2-5) 292:11 )	Fat emulsions
354-358	Tobacco products (but not raw tobacco)
	Chemical products, etc.
565:1	Coloring materials for butter and cheese, prepared with oil

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

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U. S. GEPARTMENT OF AGRICULTURE

FATP 30-56

September 12, 1956

AGPICULTURAL POLICIES IN WESTERN EUROPE\*

The Organization for European Economic Cooperation (OEEC) has just completed a study which brings together and analyzes the agricultural policies of its member countries. With the active participation of its rejuvenated Directorate for Agriculture, the OEEC prepared statements and held hearings on the countries' policies (at Paris, September 27 to October 28, 1955) in which delegations from each country answered questions and provided information additional to that in the prepared statements. Subsequently, so-called appraisals were made by the Directorate, with the help and under the watchful eyes of the delegations—a process which necessarily made for evaluations of uneven quality and for a somewhat gingerly handling of this part of the exercise. Nevertheless, the result of all this work is an interesting volume just published by the OEEC as the first report of the Ministerial Committee for Agriculture and Food. 1/ The Council of the OEEC has given its approval to the volume and to the further examinations that are to take place.

## Purpose of the Examinations

The purpose of the examinations of agricultural policies is well stated by the Programme of Work adopted by the Ministerial Committee for Agriculture and Food:

"a) To take stock of present Government policies, describe the direction in which the objectives and intentions of Governments are tending to move; indicate that fields in which coordination of Government action might facilitate the organization of the European agricultural market or reduce the difficulties encountered in some national markets;

<sup>\*/</sup> Prepared by the European Analysis Branch, Foreign Agricultural Service.

<sup>1/</sup> Agricultural Policies In Europe and North America, First Report of the Ministerial Committee for Agriculture and Food, OEEC, Paris, May 1956.

"b) To arrange for a permanent confrontation of national policies and assess the conditions in which it might be necessary to extend the scope of its initial enquiries."

It is too early to say whether these confrontations will prove useful for the promotion of more economically efficient policies. But the experiment is interesting and deserves at least to be given a try.

## Findings of the First Report

According to the findings of the Report, the main problem of the agricultural economy of the European countries is the importance in it of small farm units, many of which do not have the natural, human and economic resources that would permit the application of modern techniques of management. It is for this reason that, "in spite of the remarkable progress in production and productivity registered in the last six years, there are still considerable difficulties to be overcome before a wider initiation into technical progress, the universal adoption of modern methods of cultivation and the economic education of the producer can bring about a fall in production costs, a better adaptation of production to the needs of the consumer, and provide for each farm family a fair standard of living."

In their Resolution of July 7, 1955, the Ministers had recommended that countries should make the economically most efficient use of productive resources and bring about a freer and increased intra-European trade. They should further secure a reasonable degree of stability in agricultural markets without neglecting the need for continuous adjustments of production, which is now expanding, to changes in demand. The present report considers that policies and trends in agricultural output have not thus far conformed to these principles.

"After passing the overall pre-war average, production seems likely to continue to increase, if only because of the constant improvement in techniques. Countries where there is a shortage try to direct this increased production into sectors where they are not yet self-sufficient, whereas countries which are traditionally exporters and those which are fully self-sufficient endeavour to increase their outlets. On the whole, it may be feared that, contrary to the idea of a certain specialisation, this tendency will bring about increasing difficulties in international trade." These difficulties will become greater, the Report goes on to say, if closer cooperation is not established between the countries, allowing for mutual advantages being obtained through increased specalization in production and through a greater exchange of food and agricultural products among them.

### The Report's Recommendations

The Ministers believe that the countries must cooperate in the alignment of their policies in order that production patterns be adjusted in accordance with the principle of better economy and more rational division

of labor in European agriculture. This should be achieved by setting two primary goals for each country: (1) to insure that food and agricultural products are produced at the lowest possible cost; and (2) to insure an adequate standard of living in agriculture, mainly by raising productivity and income per man. The efforts towards increased efficiency and increased income per man in agriculture, which the Ministers recommend, should concentrate on adjustments of production patterns and improvements of the farm structure, including the consolidation of scattered and uneconomic holdings, combined with a reduction in the manpower used on farms.

The Ministers have devised an interesting set of questions in the light of which they would like to see present policies examined. The answers to these questions should record the extent to which policies do or do not conform to the above principles. These are the questions that each government should ask itself:

- l. Does the present and expected agricultural output correspond with quantitative and qualitative developments in domestic and foreign demand so as not to create difficulties for the application of the more liberal trade policy recommended by the OEEC?
- 2. Do the present stimuli given by the governments accord with the natural and structural farming conditions?
- 3. Are the efforts towards increased efficiency geared to increasing productivity per man?
- 4. Are steps being taken to promote the re-training of surplus agricultural workers to facilitate their integration into the industrial economy?
- 5. Are the regulations concerning imports of agricultural products sufficiently flexible to allow internal prices and hence the production pattern and costs of production to be reasonably guided by price changes on external markets?

## Further Work

The Ministers desire that the countries' efforts be largely centered on increasing productivity, and propose that their joint programs over the next few years emphasize measures in the field of marketing, distribution, and consumption, and especially extension services and vocational training. Further consultations among the countries are to help more directly to coordinate their policies in the interest of greater flexibility in production and intra-area trade. First among these examinations and consultations will be a review of present policies with regard to agricultural prices and income and their impact upon "the possibilities for achieving a gradual coordination of agricultural policies"--meaning more specialization and more intra-area trade. Another joint study is to examine aids to exports and the possibilities for their gradual elimination or at least limitation.

### A Summary of Present Policies and Measures

The Report, in its summarizing and evaluating chapters (Part II), unfortunately is not well organized and does not give a succinct presentation of policy goals and policy methods as at present applied. Nor is it sufficiently systematic in its presentation of suggestions for desirable modifications in existing policies. From a survey of the country chapters (Part I) and personal impressions gained at the confrontations, 2 the following points may be distilled. They are focused upon those aspects of existing policies that are of especial interest to observers in the United States.

## A. Broad Policy Characteristics

- 1. There probably is not a single case, among the countries examined, where lack of comprehension of fundamental economic issues is responsible for a policy defective from a strictly economic point of view. While the economics of the international division of labor are well understood, deviations from the most economically efficient policy appear to be almost the rule rather than the exception. Obviously, the margin of a country's economic well being, reserves to fall back on, and political and social stability are important factors in determining the deviations. All countries freely admit these non-economic ends, and some even emphasize the political character of measures and decisions taken under the pressure to vested interests, which it would be unrealistic to think that governments can ignore. Frequently, there is a fear that drastic action to gain more productivity in the long run, which invariably would mean larger imports and, hence, also greater dependence upon exports and other foreign earnings, would be nullified by resistance of other countries to permitting these larger earnings.
- 2. Virtues and vicissitudes of economic policy for agriculture appear more the result of circumstance than of intent. Thus, liberal policies in Denmark are facilitated by physical, social, and historical factors and required by agriculture's extreme export dependence. Sweden's policy to eliminate uneconomic farms is aided by the fact that a substantial share of the farmers in the smallest sizegroup is without resident children. The level of agriculture maintained in the United Kingdom, where net agricultural income consists in the main of government agricultural subsidies, is largely determined by considerations of national security.
- 3. A further characteristic of basic policy lines, found to be more or less universal, is the quest for continuity, graduality, and elasticity of change even where change is recognized as an urgent necessity. Thus, the under-developed countries recognize the urgent need for industrial and general economic development, but they are determined that, pending substantial progress towards that more distant goal (and even as a means to achieve progress), agriculture must be made to produce

<sup>2/</sup> The Chief of The European Analysis Branch participated in the confrontation hearings in Paris, October 1955.

more and to help the balance of payments. If this can be done with increasing agricultural productivity, so much the better; but done it must be, even if productivity increases cannot promptly be achieved on a substantial scale. Similarly, in developed countries, the goal of weeding out uneconomic farm units and transfer of population to more productive occupations is linked with the thought of transitional subsidy to make for smoother structural adjustment. Since graduality of change is a valid postulate, it would be unrealistic to expect more than gradual gains in basic improvements. Efforts to influence policies will be effective only if they aim to modify the objective circumstances that are such powerful determinants of country policies.

#### B. Concrete Aims

- 1. More or less explicitly all countries aim to make agriculture a better contributor to the national income. The importance of raising productivity is well understood -- as is the importance of extension and research for the attainment of this goal. General economic development through social overhead investment and secondary and tertiary industry is the great goal of under-developed countries, with ramifications for agricultural productivity. Most industrial countries realize the need for further movement of population out of agriculture and for productivity gains through mechanization and rationalization. The importance of outside competition as a spur for achieving increases in productivity is less appreciated and often rejected. Yet, the thought of wholesome competition and alignment of markets is not entirely absent, even in countries that are not compelled by heavy export dependence to compete across borders. The widespread acceptance of the principle that prices should be made to cover the costs and reasonable income, not of the less efficient, but of well-managed farms of economic size, is proof of this. Income parity for agriculture is realized in the United Kingdom. and almost realized in Denmark and Sweden; elsewhere it appears to be only a distant aim or not a practical consideration. Through productivity and through artificial measures every country aims to make or keep its products competitive on the home market; and, where an export interest is involved, also on export markets.
- 2. Increases in farm output, whether through greater productivity or otherwise, are definitely among the aims of under-developed countries. With the exception of France, the great industrial nations do not push total output as such, and do not seek either complete food self-sufficiency or development of permanent agricultural exports. The further development of markets for fruits and vegetables on a large scale in Western Europe is a persistent hope and a serious program objective of the Mediterranean countries. It is also in accord with economic common-sense and with the natural, social, and political factors in the areas concerned.
- 3. Social and security aims of agricultural policy are concretely defined in most industrial countries. There are also other non-economic goals of importance such as conservation of natural resources

and protection against natural hazards (Netherlands, Switzerland). The aims of social balance and national health also are real factors of policy in some countries (Switzerland, Austria, France, perhaps West Germany) and social goals of special consideration for the weak and underprivileged farmers are evident in the subsidy policies of the more well-to-do countries.

#### C. Concrete Measures

- 1. In the pursuit of the aims that have been mentioned, a few concrete measures stand out as tools of policy. They are applied within the framework of a well-conceived and competently organized system in some countries (northwestern Europe, Switzerland), or in a stop-gap and improvisatory fashion (France, Austria), or with less definite conceptions and inadequate facilities (Mediterranean countries). In nearly all countries import controls -- through high tariffs, equalization fees, or quantitative restrictions -- are of considerable importance, but in degrees varying by commodity. Government trading and trade monopolies are still widespread (France, Germany, Austria, Switzerland, Norway, Mediterranean countries), while assistance to exports through subsidies is on a modest scale, except in France and Turkey. Fixed or controlled prices for key products are a general feature in Europe, direct deficiency payments are important in the United Kingdom only. Producer subsidies, predomintly for small farms or those in disadvantageous locations, are observed in a number of countries, while subsidies for such input items as fertilizer, machinery, and motor fuel are widely applied. Consumer subsidies are in some cases given to offset the effect of high farm prices or as an alternative to producer subsidies.
- 2. Land improvement, especially irrigation, is of great concern in the Mediterranean areas. Land reform programs, prominent in Italy, are only cautiously approached in Spain and Portugal. Consolidation of small and scattered holdings is needed and attempted in greater or lesser degree all over Europe, but to be really effective would require more vigorous action and greater safeguards against subsequent subdivisions. The problem is complicated by the high cost of land improvements necessary to make the whole operation a sucess. Research and extension services, farm credit facilities, and technical rationalization of farming are everywhere aimed at, ranging from well-developed undertakings in the Northwest to modest beginnings in the South.

#### Conclusions

#### A. Government management

The examinations revealed a striking degree of government management of agriculture, including corporative management under government authority, even in countries that profess to have liberal economic philosophies. Standby authority exists everywhere that could put comprehensive controls into effect at a moment's notice. So long as this condition prevails, little of real significance for world trade can happen

without government action or at least a positive government attitude. Thus "policy aids" to exports will continue to be important in United States efforts to gain or retain foreign markets for agricultural products. The use of discriminatory import controls which are not based upon balance of payments considerations will require continued United States policy attention.

#### B. Cartel Ideas

There is no evidence, either in the aims of OEEC country policies or in the measures applied in their pursuit, that Europe is ready for an integration of agricultural markets. No doubt there is a desire among European governments to accommodate the interests of their neighbors so far as this can be done without significant interference with their own policy goals. Some danger exists, therefore, as it always has, that the so-called Green Pool idea might degenerate into something akin to an intra-European cartel, with long-term contracts, price agreements, import calendars, etc., excluding supplies from outside the area so long as intra-area supplies are available whether or not economically or competitively produced. 2 The thought of "area economy" and "area preference" seems irrepressible. The emphasis is on "intra-area specialization," on "freer and increased intra-European trade." It was notable, however, that in the examinations member countries generally did not represent bilateral arrangements as an integral part of their policy.

## C. "Momentum" of Production

Another interesting point made in the Report is worthy of special note. It is the thought that production more or less automatically tends to increase because of the constant improvement that takes place in techniques. A similar point was recently made in the Seventh Session of the Committee on Agricultural Problems of the Economic Commission for Europe held in Geneva July 2-6, 1956. It is what might be called a momentum theory of agricultural expansion. Once new techniques break through the barrier of ignorance and psychological resistance and once the profitability of more advanced farming fertilizers, improved seed material, plant protection, livestock management, mechanization becomes more widely understood, the new insight snowballs in its application and the increase in output acquires a momentum of its own even if no further deliberate attempts are made to help it along. In other words, once a trend has established itself it tends to continue even without deliberate further promotion.

There appears to considerable merit in this contention which must be taken into account in any realistic appraisal of the prospects for agricultural output in Europe. It must also be noted, however, that without maintenance of existing policies the "momentum" would not be nearly as great as it is. For example, farm price levels are usually maintained

<sup>3/</sup> Cf. "Agricultural Integration in Europe," Journal of Farm Economics, November, 1953.

<sup>4/</sup> Mr. Henry Jacoby in a discussion of the outlook for dairy products.

despite increases in productivity; or fertilizer and machinery subsidies continue unchanged despite realized profitability of application. It is not probable that many governments will be quick to reduce these benefits because of increases in productivity that are difficult to measure and, in their quantitative impact upon the various segments of agricultural producers, almost impossible to prove. The basic thought of this "momentum theory" is also stated, though in somewhat different terms, in Postwar Development of Agricultural Production and Food Consumption in Western Europe 5/ where the factors that have played a major role as determinants of the postwar expansion of agricultural output in Europe are briefly referred to. "It is clear that economic policies and general economic development have exerted a great influence. Yet it is also clear that the progress of technology has been a separate and powerful force. was not only favorable price-cost relationships or the availability of capital that brought about the application of better farming techniques; interest in technology as such has become a factor, and has tended to raise output per unit of input, thus itself improving price-cost relationships and reducing the capital-output ratio." It is probable, in any case, that at least a certain "momentum" of expansion is likely to operate in Europe for some time to come. It would be all to the good if OEEC's efforts to emphasize specialization in accordance with productivity, and productivity per man rather than per acre, helped to channel these increases into a pattern which would more nearly accord with the principles of a reasonable international division of labor -- not only within Europe but throughout the world.

## C. <u>Increased Competition</u>

In the past few years European markets have become more competitive. And if the agricultural policies of increasing productivity and better coordination make headway, non-European suppliers will face further sharpening of competition. Therefore, the purely commercial factors of price, quality, and "commercial convenience" will play ever-increasing roles in determining the chances for American agricultural products in European markets. The greater the advantages of buying in America, the less will importing countries be inclined to burden their economies with unnecessary costs in buying elsewhere.

### D. The Wider Framework

The basic and hard-core character of most agricultural and trade problems limits the prospect of any substantial modification of agricultural policies in favor of freer international trade, unless there is modification of the underlying determinants of these policies. Here American agricultural export interests must look to general foreign and economic policies. General United States trade policies, our policy for economic assistance and for economic development abroad, and our influence for international tranquility have an important bearing upon the size of American agriculture's overseas markets.

<sup>5/</sup> U.S. Department of Agriculture, Foreign Agricultural Service, FAS-M-7, June 1956.

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FATP 31-56

September 26, 1956

AGRICULTURAL POLICY AND PROGRAM DEVELOPMENTS IN CANADA

Summary: Foremost among policy questions in Canadian agricultural circles in 1955-56 were agricultural legislation and program operations in the United States, the price squeeze encountered by Canadian farmers as a result of the decline in agricultural prices and the rise in production costs, and measures by the Canadian Government to ameliorate the farmers' situation.

The Canadian Government has carried out a number of policy programs to improve the situation of the grain farmer and for other segments of agriculture:

- 1. Stepped up final payment on 1954 and 1953 wheat crops before all the grain had been sold.
- 2. Initiated short term farm loans up to \$1,500 on grain stored on farms.
- 3. Introduced payment of grain storage costs by government.
- 4. Utilized the various types of existing governmental price support machinery for commodities other than grains.
- 5. Reduced the prices of lower grades of wheat, its most burdensome supply, to effect the sales for foreign export.
- 6. Maintained rail rate policies that favorably influenced the movement of grain into domestic consumption, as well as for export, i. e., the Crow's Nest Pass Agreement, and Freight Assistance payments.
- 7. Carried out extensive and aggressive marketing operations through Federal and Provincial Boards.

Interest of Canada in United States Farm Programs: The Canadian Government has followed the U. S. farm programs and surplus disposal programs very carefully to determine the extent to which they benefit or injure the Canadian farmers. It is, of course, recognized that the United States agricultural price support program has had a beneficial effect upon Canadian agriculture. It has had a stabilizing effect on the price of Canadian farm products, and has been a major factor in reducing the cost of operating many of the respective price support programs of the Canadian Government. Farm leaders staunchly declare that the worst thing which could happen to Canadian agriculture would be the repeal of United States price support legislation.

The surplus food disposal methods of the United States receive in Canada a wide range of comment from bitter censure to tolerant understanding. From some quarters come recommendations that Canada use parts of the same programs and methods. Criticism declined notably when Canadian wheat exports increased during the first half of 1956.

The press had been complimentary regarding the Soil Bank Plan of the Agricultural Act of 1956. This is because the Canadian wheat and feed grain farmers expect to reap some benefit from the U. S. farm bill. The benefit will come from two main provisions of the bill. One will reduce North American wheat production and thus improve Canada's competitive position on world wheat markets. The other is that feed grain prices will probably rise in the United States and may provide a market for some Canadian feeds. There is also a possibility of increased U. S. demand for grass and legume seeds that will provide a ready market for any Canadian surplus.

Canada's domestic exports of agricultural products, total and to U. S.

	•	1950-54 average	:	1955	:	1955 Jan-June	*	1956 Jan-June
Total United States Per cent to U. S.	•	1,011,596 304,055 30.05	0 0 0	1,0 801,365 182,683 22.8	00 d	385,168 76,024 19.7	0	474,562 89,257 18.8

Compiled from official Canadian sources.

Earlier Final Settlement with Wheat Farmers: The Government, because of the distress in the Prairie Provinces, again altered its policy to make the final payment for the 1954 wheat crop before the grain had been completely sold. This same policy was followed in the spring of 1955 for the unsold 1953 crop. The Government announced that the cut-off date for the final payment of the 1954 wheat crop was May 4, 1956. As of this date, 161.4 million bushels of the 1954 crop were transferred to the 1955-56 account. Of this volume, 112 million bushels were covered by sales contracts, and 49.4 million bushels remained unsold. The value of this latter quantity was transferred at May 4 prices to the next year's account. Farmers received checks for the final payment of their 1954 what deliveries late in May.

The Canadian Wheat Board in the spring of 1955 announced that the initial payments on wheat, oats and barley would be made on the 1955 crops at the same rate upon delivery of the grain to the local elevators as in the previous season. This policy of making initial price payments serves as a floor or support price. The Government on May 3 of this year announced that initial payments would be made for the 1956 crops at the same rate as for 1955. The prices in store at Fort Williams——Port Arthur are as follows:

Wheat -- \$1.40 per bushel, basis #1 Manitoba Northern
Barley -- .96 per bushel, #3 western Six Row
Oats -- .65 per bushel, #2 Canadian Western.

Prairie Grain Producers' Interim Financing Aid: Prairie grain farmers from last August until mid-April had more difficulty in marketing their bumper crops than for many seasons. With the large carryover of wheat in store on August 1, 1955, and the poor export movement of grain, elevators, both country and terminal, were jammed and little space became available for new deliveries. As a result, farmers for several months were able to deliver only small portions of their grain. Therefore, while large quantities of grain were on the farms, many farmers were unable to obtain cash to pay their farm expenditures. Since many farmers were in financial distress, the Government announced in November it was prepared to make short-term loans up to \$1,500 to farmers on grain stored on farms.

The House of Commons, after a lengthy debate, passed a law known as "The Prairie Grain Producers Interim Financing Act." The Government began making loans to farmers under this Act, however, in November, and up to the end of May 1956 had made 10,326 loans amounting to \$7,893,830. As of May 31 Prairie farmers had already paid back more than \$5 million of their loans to the Government.

Grain Storage Bill: The Canadian Government in the fall of 1955 decided that it must also do more to improve the income to the Prairie grain farmers. The final payment to farmers for their 1953 wheat crop was relatively small as sale prices had been lower, and the overhead, primarily the heavy storage costs, had been high. The Government, therefore, decided on a policy to pay storage costs on wheat to the Wheat Board. This plan was announced in December. Previously, storage costs paid by the Wheat Board had been deducted from the final payment made to the farmers. The final payment made to Prairie wheat farmers on their 1954 crop, discussed above, contained \$23 million paid by the Government to the Wheat Board for storage costs. This aid amounted to about 7 cents per bushel for all wheat delivered by farmers.

Parity Price Question: The question whether Canada should enact parity price legislation guaranteeing farmers a fair share in the national income was widely debated in and outside of Parliament in 1955 and 1956. In each year the proposal was defeated in the House of Commons.

The national farm organization, the Canadian Federation of Agriculture, has adopted the following policy statement on price supports:

"Obtain a sound program of government price supports. Farmers should not expect society to subsidize the inefficient producer. Price supports, however, need to be established at levels which will:

- (a) Provide a minimum level of return per unit of production, enabling the most representative group of producers of any commodity to continue in production.
- (b) Facilitate orderly production adjustments within agriculture, and
- (c) Prevent undue fluctuation of market prices and production."

The responsible leaders of F. of A. apparently regard the Government's unofficial cognizance of the above policy statement as meeting the present needs of Canadian agriculture, as far as price support policy is concerned.

Price Support Programs: Legislation establishing floor prices on several farm commodities is not new in Canada. The Parliament of Canada, fearing a great slump at the end of World War II, passed floor price laws and voted a \$200,000,000 revolving fund to implement the legislation. This fund is maintained by annual appropriations if there are any losses, and if there is any surplus it is turned over to the Consolidated Revenue Fund annually. Assistance is given by outright purchase or underwriting the market through guarantees or deficiency payments.

The total cost of all price supports on agricultural products since the enactment of the Agricultural Prices Support Act of 1944 has been over \$89 million as of March 31, 1956. This does not include the cost of the potato, apple and butter programs for 1955-56 since they were not complete on March 31. Of this total, about \$70 million was attributed to the losses on extensive buying and selling programs undertaken for hogs and cattle as an emergency measure during the embargo on the shipment of livestock and livestock products to the United States during the foot-and-mouth disease outbreak from February 25, 1952 to March 1953.

Government officials who administer the programs believe that agricultural commodities produced on a national scope or which represent a sizable portion of the farming industry should get protection against abnormally low prices. During the year 1955-56 the Agricultural Prices Support Board carried out price support programs relating to eggs, butter, potatoes and apples. It is very probable that the price support program influenced the hog market in remaining at the support level for several weeks.

The following products have been assisted under the Agricultural Prices Support Act since it became operative in 1946 and the net cost of programs completed, according to production year for the product purchased, was as follows up to March 31, 1956:

	Product	Year	Net Cost	
1.	Potatoes	1946 1948 1950	\$ 170,748.48 1,646,739.34 218,687.79	\$2,036,175.61
2.	Apples	1947 1948 1949 1954	3,119,274.22 1,487,882.32 1,499,569.40 601,438.30	6,708,164.24
3.	Dried White Beans	1948		194,419.88
4.	Extracted Honey	1948		177,066.42
5.	Dry Skimmed Milk	1949 1953	10,820.35 666,583.67	677,404.02
6.	Cheddar Cheese	1949 1951 1952 1953	157,693.98 nil 2,345.16 nil	155, 348.82
7.	Creamery Butter	1949 1950 1951 1952 1953 1954	1,868,150.72 456,115.03 149,098.86 52,149.91 1,506,940.63 5,422,152.91	8,542,378.00
8.	Shell Eggs	1950 1951 1952 1953 1954 1955	nil 1,866.24 63,542.45 nil 546,268.87 61,516.83	673 <b>,</b> 194 <b>.39</b>
9.	Hogs	1951 1952 1953	nil 36,673,894.07 nil	36,673,894.07
10.	Cattle	1952-53		33,358,015.86
			Tota.	\$89,196,061.31

Butter Program: The Agricultural Prices Support Board of the Department of Agriculture offers to buy grade "A" butter at 58 cents per pound basis delivery Halifax, Saint John, Montreal or Toronto, and at 57 cents per pound basis delivery Vancouver. Prices established at other points depend upon the freight differential. This authority is derived from the Agricultural Prices Support Act of 1944.

No farmer is required to sell grade "A" creamery butter for less than these prices regardless of whether there is a surplus or scarcity. The Canadian Government agrees to buy at the 57 cent and 58 cent per pound prices all butter that cannot be sold above these prices to the general trade. This policy is designed to guard against a situation whereby there is an oversupply with high prices at another time. It protects both the producer and the consumer, and gives stability to the dairy industry as a whole.

As a general rule there is a flow of surplus butter into government stocks in the spring and summer grass season of high milk production, and an outflow during the low wintertime production season. Stocks have built up during the past few years to a point of 98 million pounds, plus what was in the hands of private butter brokers. To ease such a congestion, the government can:

- 1. Reduce the floor price to discourage some of the production. (This was done in 1951 by dropping the floor price to 53 cents.)
- 2. Cut the price of resale of its butter to wholesalers to encourage greater consumption.
- 3. Sell on a foreign market at "fire sale" prices.

The Canadian Government in order to keep the supply of butter in storage fairly fresh, occasionally sells a quantity to the trade. In June 1956 approximately 25 million pounds of 1955 butter were sold to the trade at 56 cents a pound. Delivery was divided in three parts, almost equal amounts on June 15, July 15, and August 15.

Since July 1, 1955 over 9 million pounds were sold to Czechoslovakia and East Germany at 37 and 39 cents a pound, f.a.s. Canadian seaboard. In addition a considerable amount was sold to hospitals and other Canadian institutions at around 40 cents. Over 6 million pounds went to the institutions since February 1, 1955.

During the year 1955, the Board purchased 62,990,606 pounds of 1955 made butter which was offered for sale in late February, 1956, on the basis of 58 cents per pound, following the disposal of the final supplies of 1954 made butter. Up to March 31, 1956, 8,278,367 pounds of 1955 made butter had been sold. No estimate of cost has been made since this sales program will not be completed until late in the fiscal year 1956-57. When such steps are taken by the Agricultural Prices Support Board, the Government has to make up the difference.

On March 22, 1956, the Agricultural Prices Support Board was authorized to offer to purchase Canada First Grade creamery butter from May 1, 1956 through April 30, 1958 on the basis of 58 cents per pound delivered Montreal. This is the same price as had been in effect for the previous one-year period, but was now extended for a two-year period, as had been done in earlier years.

On February 10, 1956, Minister of Agriculture J. G. Gardiner stated to the House of Commons that since 1950 the cost of the plan to subsidize butter has cost the Government approximately \$8,000,000. This includes \$1,600,000 paid to the trade for reducing the price in 1951 from 58 cents to 53 cents. This makes the cost to the Government of between 1/3 and 1/2 cents a pound over the period the plan has been in operation, according to Gardiner.

The Government considers the stabilization of butter prices so essential for the good of the Canadian economy that in 1951 and 1952, when the rate of demand exceeded production, there was imported butter from New Zealand to avoid a price increase for the consumer.

A relatively small percentage of Canadian butter production passes through the surplus stocks of government and private industry. The amount held on January 1, 1955 was 73 million pounds by the government, and 18 million pounds by trade out of a total production in 1954 of 312.6 million pounds.

Livestock Supports: The livestock industry of Canada is protected by price supports, but prices have rarely fallen to the floor in normal times. During the foot-and-mouth disease epidemic in western Canada, the Agricultural Prices Support Board took a loss of \$72,000,000 on resale of huge supplies of beef and pork. This special floor price was set up in 1952 and helped save the livestock industry from a market debacle.

The support prices for hogs grading "A" is \$23.00 per 100 pounds warm carcass weight in Toronto and Montreal, \$20.00 at Winnipeg, \$19.00 at Saskatchewan, and \$18.50 in Alberta. Anytime the packers discontinue buying at the support level, and producers can't sell elsewhere at the floor price, the Government stands ready to purchase all pork that may be offered. Last winter at the time of heavy marketing, hog prices remained at, or very near, the floor price for several weeks and it is considered that the price support program prevented prices from going lower. This would indicate a desire on the part of the packing industry to prevent pork being offered to the Government. The last Government pork purchases were made in 1952.

The strong demand for pork and pork products by Canadians has kept the market price above the floor price even with a substantial increase in meat production. There were 8 per cent more hog carcasses graded in the first half of 1956 as compared to last year.

Egg Program: The Prices Support Board during an appropriate period in 1956, as in 1955, is authorized to purchase in such form as the Board may specify at a price equivalent to 38 cents per dozen for Grade "A" large eggs with price differentials for other grades of eggs and egg products, plus an allowance not to exceed 5 cents per dozen to cover charges associated with storages. Due to the strength of the 1956 market, the Board has not supported other than Grade "A" large eggs.

Under the 1955 program, 201,772 cases (6,053,160 dozen) of shell eggs were oiled and stored in the spring and early summer in accordance with the Board's specifications. The Board took delivery of 1,289,340 dozen which were all resold as shell eggs at a loss of \$61,516.83. This compares to a loss of \$546,268.87 on the 1954 eggs support program.

Potatoes and Apples: The high production of potatoes and apples in Canada in 1955 resulted in a rather severe drop in prices of these two products. As a result, the Agricultural Prices Support Board on January 5, 1956 announced floor prices for dessert apples and for potatoes used in the manufacture of starch. Both programs were retroactive on all 1955 production. This special program was instituted to relieve the pressure on the Canadian Department of Agriculture by the potato growers of the Maritimes, and the apple growers of Nova Scotia, who were faced with marketing bumper crops at low prices.

Under this special support price plan, apple growers were guaranteed a minimum average return of one cent per pound delivered at plant or warehouse on Canadian Fancy or better grades of dessert varieties. The Government made up the difference between the average prices received, and the one cent guaranteed.

The Government made up the difference between the price paid for potatoes by starch factories and the guaranteed price of \$1.00 per 165-pound barrel of Canada No. 1 potatoes. This law was amended on March 15 to include up to 12 percent Canada No. 1 Small. Potato prices improved substantially from the time this program was put into effect and there were only about 9,000 barrels delivered under the program up to March 31.

It was reported unofficially that the potato program this past winter cost the Government about \$5,000, while the apple program cost about \$170,000.

Trade Balances and Trade Policies: Canada's total external trade has resulted in a net deficit each year since 1952. In 1955 imports exceeded exports by \$360 million. The deficit trade in 1956 has increased at a much greater rate, amounting to \$484 million for the first five months, as compared with \$127 million for the same period last year. Practically the only major country with which Canada has an unfavorable balance of trade is with the United States. In 1955 Canada's unfavorable trade balance with the United States amounted to \$840 million. During the first five months of this year, the trade deficit with the United States has increased at almost double the 1955 rate. (In spite of Canada's trade deficit with the United States, the Canadian dollar continues to be at a premium over the U. S. dollar. This is attributed to the continuing flow of U. S. dollars to Canada for investment.)

Canada's agricultural trade (excluding forest products and fish) during the past year showed a slight net deficit. Here again, the large deficit trade was primarily with two countries; namely the United States and Mexico. Canada has a very favorable agricultural trade with the Commonwealth and with European countries.

The Government regards the large volume of imports as essential to continuation of the unprecedented economic development in Canada, and to the maintenance of the highest level of prosperity ever known in Canada.

U. S. domestic exports of agricultural products, total and to Canada

Total : 3,284 : 3,194.6 : 1,563 : 1,859 Canada : 270.3 : 282.3 : 140 : 149% Percent to Canada : 8.2 : 8.8 : 8.9 : 8.0		:	1950-54 average	:	1955	:	1955 Jan-June	*	1956 Jan-June
	Canada	•	270.3	*	3,194.6	:	1,563 140	•	149*

\*Preliminary Compiled from U. S. Census Bureau data

Canada's Overall Trade Policy: The Canadian Government's policy is for increasing its external trade. Canada, in fact, is second to New Zealand in having the highest foreign trade value per capita of any country in the world. The Canadian Government is a strong supporter of GATT and believes in a realistic approach to trade barriers. The Canadian Government favors free convertibility of foreign currency, and believes in selling its exports for dollars only. It has supplied grain, however, in connection with foreign aid programs under the Colombo Plan, in conjunction with which the local funds derived from such agreements have been used for local improvements in the country to which the aid was rendered.

Trade with Iron Curtain Countries: Canada has taken the position that the selling of agricultural commodities to Iron Curtain countries is not trade in strategic commodities. The grain sales that have been made to the Iron Curtain countries this past season have received universal approval from the public and all government circles.

During the 1955-56 marketing year, wheat and barley sales were made to the Soviet Union, Poland, Czechoslovakia, Hungary and East Germany. The total amounted to approximately 45 million bushels. All of these sales were made for dollars. Poland, Czechoslovakia and Hungary were given one year's credit to pay for a large percentage of their purchases. The Canadian--U.S.S.R. trade agreement, signed February 29, 1956, was for a three-year period. In this agreement, the U.S.S.R. agreed to take a minimum of 400,000 tons of wheat each year. The agreements with the other Iron Curtain countries were for a given quantity of grain. Canadian officials are hopeful that some of these countries will repeat their purchases again during the new marketing year.

Canadian Wheat Board Policy: A significant policy decision of the Canadian Wheat Board during the past marketing year was its large reduction in the sale prices of the lower grades of wheat. Because of the burdensome supply of these low grades, the Wheat Board dropped the prices, between early August and mid-November 1955, by 27 to 29 cents per bushel at the Lakehead for grades #5 and #6 respectively. During the same period the price quotation for Manitoba #1 Northern was dropped only 6 cents per bushel. These prices for the low grades became attractive to the Iron Curtain countries, which, during the winter months, purchased all available supplies. In the late spring the Wheat Board's quotations for the lower grades were increased about 16 cents per bushel.

Under the Canadian Wheat Board Act of 1935 the Government gave the Wheat Board the authority to control imports of grain. The Wheat Board places no restrictions on the importation of corn, but permits entry of only small quantities of wheat, oats and barley imports, and these are for special uses. During the past 12 months, the Wheat Board has not altered its grain import trade policy.

Freight Rates: Canada differs from most other wheat growing countries of the world in that the major portion of the grain must be transported a considerable distance for both domestic consumption and export. The grain farmers of western Canada receive a substantial subsidy in the form of favorable rail-road rates for export grain. This results from the Crow's Nest Pass Agreement, entered into in 1897 between the Canadian Pacific Railway and the Canadian Government whereby the railway obtained certain benefits for constructing a line from Lethbridge, Alberta to Nelson, British Columbia. In return the C.P.R. agreed to maintain certain freight rates for grain produced in the Prairie Provinces. These rates are still in existence even though the railway has on several occasions endeavored to get them changed.

At the present time, grain can be freighted the 1,267 miles from Calgary to the Lakehead for 26 cents per 100 pounds and the 642 miles from Calgary to Vancouver for 20 cents per 100 pounds, if it is for export. For comparison, the domestic rate to the West Coast is 54 cents per 100 pounds, a difference of 20.4 cents a bushel or \$357.00 on a 1,750 bushel car. Livestock farmers of eastern Canada also benefit from the Crow's Nest rate and the Government sponsored freight assistance payment on western grains and millfeeds. The assistance payments are:

- 1. Actual car lot rail freight charges but not exceeding \$4.50 per ton to destinations in northern Ontario.
- 2. (a) \$4.50 per ton plus remainder of through car lot rail freight in excess of the Montreal Freight Rate Zone rate if destination is beyond the Montreal Zone, providing the rate is 80 cents cwt.
  - (b) If the through car lot rate is 80 cents cwt., or over, the payment is \$6.00 per ton plus remainder of through car lot rate in excess of Montreal Zone rate.

3. The payment rate for western shipments is \$5.00 per ton less than the car lot short line freight charges from Alberta point of origin and coastal water car lot shipping charges, subject to numerous qualifications.

The total quantity of grain on which freight assistance has been paid from October 1941 to February 28, 1955, exclusive of grain shipped for export, is 35,679,647 tons. The average rate paid was \$6.25 per ton, and the total amount of money paid out by the Federal Government in claims amounted to \$223,323,215.70.

Oats comprised 28.5 per cent of the freight assistance claims, while barley and millfeeds were each 23.8 per cent, and wheat was 21 per cent. Some commodity groups contract with the railroads for "Agreed Charges" which are special freight rates in return for the moving of the entire crop. The potato crop is an example.

Effective July 3, the railways were granted a temporary 7 per cent rate increase, the first general rise since 1953 when two increases totaling 16 per cent were granted. The Board of Transport Commissioners on September 24 resumed hearings on the railways' requested 15 per cent rate boost bid (the 7 per cent temporary being a part of this amount). Railway requests for higher rates are based on higher wages paid railroad employees and other rising costs. The Canadian Federation of Agriculture, on the other hand, opposes the increase to 15 per cent as it would impose a heavy burden on the farmers.

Before the Canadian Board of Transport Commissioners is the question of equalizing of freight rates on flaxseed between eastbound and westbound export shipments, since flax does not come under the Crow's Next Pass Rate. Farmers of the Prairie Provinces are interested in this to the extent of \$3 million per year in freight rates.

The St. Lawrence Seaway: The impact of the St. Lawrence Seaway is already being felt agriculturally in Canada, and holds the potential of far greater influences. Some are favorable and some are meeting with criticism.

The Transport Ministry which is surveying the possible effect of the Seaway on the shipping pattern recently predicted: (1) replacement of grain by ore as the most important single item of traffic, (2) reduced grain carrying charges, and (3) an alleviation of shipping shortages during the grain shipping season, and (4) increased overseas traffic to the United States ports on the Great Lakes. It stated that ore carriers "may well find it advantageous to clean ship and pick up grain for movement to lower St. Lawrence ports." It also estimated a reduction of about 5 cents a bushel for grain in shipping costs between the Lakehead and Montreal.

Farm Loans: The Farm Improvement Loans Act, according to its preamble as enacted by Parliament in 1944, is "An Act to Encourage the Provision of Intermediate Term and Short Term Credit to farmers for the improvement and development of farms and for the improvement of living conditions thereon."

Canada farmers--60,775 of them--in 1955 borrowed \$69,105,520 under the Act, a moderate increase over the previous year, bringing the total for the eleven years up to \$582 million. During 1955 about 85 per cent of all loans was borrowed for the purchase of farm machinery. The farmers of two provinces, Alberta and Saskatchewan, negotiated for nearly half the 1955 total loans primarily to purchase combines.

Parliament early this year renewed the Act with its \$300 million loan ceiling for another three-year period. An important change in the Act was the increasing of the amount which a borrower may have outstanding at any one time from \$4,000 up to \$5,000. The interest rate is 5 per cent simple interest and loans are repayable within 3 years, in the case of implement loans, with a maximum limit of 10 years.

The administrators of the program feel that the loan repayment level is satisfactory in spite of the inability of farmers in the west, during 1955, to market all their grain and the decrease in crop values in some other provinces. Since 1945, the Government, under its guarantee to underwrite the loans, extended through local chartered banks, paid 511 claims totaling \$285,064. The loss during 1955 of \$135,250, again reflects the economic position of Canadian farmers.

Constitutionality of Farm Products Marketing Boards' Activities: The constitutional validity of Ontario's farm marketing legislation is being weighed by the Supreme Court of Canada. A test case was referred to the Court by the Federal Government at Ontario's request. The existence of some 14 marketing schemes in Ontario covering 21 farm products is at stake. Other provinces are watching proceedings closely, as the farm market plans in all parts of Canada may be affected.

Involved is the Ontario Farm Products Marketing Act of 1950, as amended. The main question is whether the Ontario Farm Products Marketing Board can legally authorize a marketing agency to carry out operations involving the sale of a regulated product by pooling sales, expenses and proceeds. Next comes the question of validity of: (1) the establishment of a marketing scheme, and (2) the licensing regulations of the Ontario Hog Producers' Cooperative.

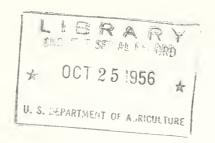
Other questions involved pertain to the fees charged hog producers, peach growers and vegetable growers by the respective marketing agencies. In this connection an important question is whether the license fees imposed upon producers are to be considered as a service charge or as indirect taxation. If they are considered as taxes there is the question whether they are legal.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D. C.



FATP 32-56

September 26, 1956

THE AGRICULTURAL POLICY OF LEBANON

Lebanon has limited agricultural resources which produce less than half of the country's food requirements. About 60 percent of the people are engaged in agriculture. Lebanon also has a trade deficit with most countries; however, it manages to balance these deficits with invisibles such as remittances from emigrants, commercial and professional services, and tourism. Government trade policy is essentially free of currency and trade controls. Foreign currencies are easily exchanged in Beirut and its stores carry a complete coverage of United States products. The great bulk of Lebanese trade is with nearby Arab States.

Lebanon relies on imports to satisfy a substantial part of its food requirements, primarily wheat, wheat flour, fats and oils, sugar, meat and dairy products. During 1955, agricultural products constituted 28.5 percent of total imports, by value. The United States supplied 11.3 percent of Lebanon's agricultural imports the remainder being supplied largely by Syria, Iraq and Egypt. Agricultural exports constituted 44.5 percent of total Lebanese exports during the same period. The United States was a market for 21 percent of Lebanon's agricultural exports.

General Policy: The philosophy behind Lebanon's tendency toward free trade is seen in its agricultural policy. There are few price supports or production controls, and with minor exceptions as will be discussed later, there are no controls on exports or imports. This policy is consistent with Lebanon's position as a net importer and as a trading nation.

The only market regulation in force is the fixing of the price of wheat flour and bread. To enforce these prices effectively the Wheat Office of the Ministry of National Economy stands prepared to supply the market with adequate quantities of wheat and wheat flour to prevent any

rise that may result from a shortage in supply. For this reason wheat imports are the only food item subject to import licenses.

The Government resorts occasionally to price controls in emergency situations, either directly by fixing them or indirectly by prohibiting or restricting the exportation of the product and/or by facilitating its importation. For example, meat prices were fixed during a period of shortage in early 1956 and the Government arranged for special imports from Turkey. In 1955 olive oil exportation was restricted in order to check rising prices.

In a very few emergency cases the Lebanese authorities have subsidized exports in order to dispose of substantial surplus quantities of a product for which there was inadequate demand and which was threatened by great fall in prices. For example when economic relations with Syria were ruptured in 1950, resulting in the loss of the Syrian market for its citrus, the Lebanese subsidized this commodity. They also occasionally prohibit imports for a short period in order to move a surplus crop into domestic consumption. This was done briefly within the last two years on onions, bananas, and potatoes.

Foreign Trade Policy: Customs duties on practically all non-agricultural imports are relatively high and constitute an important source of government revenue. Most agricultural products, on the other hand, are exempt from duty. Like all other imports, however, they are subject to a 1.5 percent ad valorem tax, the proceeds of which go to the city through which the goods enter the country. No export duty is levied on any product; and except in rare cases on fruit, no export subsidy is granted for any commodity.

a. <u>Bilateral Trade Agreements</u>: For many years Lebanon has followed the old League of Nations tariff procedure of having a maximum duty and then a normal duty which was only half the maximum. After GATT was organized, Lebanon joined, then in 1951 the Government became quite concerned that Lebanon's trade balance was so unfavorable and decided to withdraw from GATT and launch a program of bilateral trade agreements.

To date 15 such agreements have been made: four with neighboring Arab countries, Iraq, Egypt, Syria and Jordan; three with Western Europe, France, Italy and West Germany; six with the Soviet Bloc, Czechoslovakia, East Germany, U.S.S.R., Communist China, Poland and Rumania; plus two others - Turkey and Yugoslavia.

In 1955, Lebanon announced that maximum tariffs would be extended to all countries which refused to negotiate a bilateral trade agreement within the next six months. A number of countries, including the United States have not made such agreements but Lebanon has not carried

out the threat. Japan is the only country to which maximum tariff rates apply. All these agreements accord to signatory countries most favored nations treatment and provide for balancing of trade between the two sides. In a number of cases, especially with West Germany, the most favored nation terms were not strictly observed, and with no country has Lebanon been able to balance its trade. Trade with the Soviet bloc countries, however, increased substantially since the conclusion of of these agreements, very likely not as a direct result but due to a change of Soviet policy in the area.

All of Lebanon's trade agreements with non-Arab countries provide most favored nation treatment which does not imply any comparative advantage since all countries with which Lebanon trades, with the exception of Japan, are accorded such treatment. A special provision in each of these agreements excludes the possibility of according to those countries the preferential treatments accorded, or to be accorded, to Arab countries.

b. <u>Inter-Arab Trade Agreement</u>: The Arab countries including Lebanon, signed in 1953 an Inter-Arab Trade Agreement which removed customs duties on trade within the area for practically all agricultural products and lowered the duty on products manufactured in whole or in part by a signatory country.

The list of commodities covered was extended in 1956 and the expanded agreement has so far been signed by Egypt, Iraq, Syria and Lebanon. The 1953 agreement was signed by all the Arab states. This agreement has given Lebanon a substantial advantage in exporting its fruits and vegetables, particularly in exporting apples to Egypt. Lebanon's adherence gave little agricultural marketing advantage to other Arab states, since Lebanon never has had any duty on most agricultural products. Lebanon looks first to neighboring Syria for wheat imports costing much less for transport than when secured from the West. When the Syrian supply is exhausted, Lebanon looks to other countries, including the United States. Price is the factor determining which country supplies the wheat. Lebanon also imports wheat flour and the United States has been particularly successful the last two years in competing for this business.

Agricultural Development Policy: The cultivated land in Lebanon is relatively limited, and the possibility for expansion is small. The authorities are therefore directing their efforts mainly towards intensification of agriculture and improvement of the yield. Increased quantities of improved varieties of wheat and corn seeds are thus distributed by the Ministry of Agriculture, among farmers, and efforts are made to have farmers use fertilizers. Some 860 tons of fertilizers were distributed free this past year by the Government to wheat farmers and agricultural cooperative societies. Also mechanized farming is

being emphasized. Although the yield has improved noticeably and further improvements are anticipated, there is little hope that Lebanon will be able to produce more than one-third to one-half of the wheat requirements for its increasing population.

- a. Dairying: Considerable progress is being achieved in dairy farming in Lebanon. Lebanese concerns have been greatly encouraged by the International Cooperation Administration demonstration projects, mainly the Agricultural Experimental Station at Terbol. An appreciable number of modern barns have been built and some high quality cattle imported. A few modern milk pasteurizing and bottling plants have been established recently and the country's output of dairy products is believed to have increased considerably during the past few years. There is much room for expansion of the domestic market for dairy products and it is not likely that expansion of dairy farming in Lebanon will curtail the market for imported dairy products in the near future. The reverse has been true during the past few years dairy imports have risen in spite of local dairy expansion.
- b. Fruit: Oranges, lemons, apples, and olive oil are Lebanon's principal exports. Though quite important to Lebanon, production is relatively insignificant in terms of the world market. Acreages of all are being expanded and the government has taken considerable interest in helping to market fruit. The aid has been in two ways—through the building of packing sheds and developing grade standards and second by pushing the fruit abroad through trade agreements and other aspects of foreign economic policy. The Government has recently organized a Citrus Office to direct and promote the export of citrus.
- c. Agricultural Development Projects: The largest developmental project which the Government is preparing to undertake is the Litani River Scheme which serves for irrigation and power production. An International Bank loan for this purpose was signed in 1955 and preliminary work has already begun. The area expected to be irrigated is approximately 52,000 acres almost 50 percent of the total area that is now under irrigation, or about 7 percent of the total cultivated area. The project will increase considerably the production of vegetables and fruits, especially citrus. Other important power and irrigation projects under consideration, or construction, are located at the Yomouni-Orontes headwaters in the northeast, and the Kebir River and other streams on the Akkar Plain in the north.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 33-56

SERIAL RECORD

OCT 25 1956

October 8, 1956

MEXICO'S AGRICULTURATE POLICIES AND PROGRAMS

Mexico increased its exports of agricultural commodities in 1955 while its agricultural imports remained at about the same level as in 1954. Its leading exports continued to be cotton, coffee, shrimp, oilseed cakes and meals, and cattle, while the leading imports were rubber, wool, lumber, hides and skins, and animal fats. The country made great strides toward self-sufficiency in food products during 1955. Imports of wheat were at a low level and the country was a net exporter of corm and beans during the year. On the other hand, imports of cattle for breeding, baby chicks, cottonseed for planting, feeds, and hops increased greatly over the preceding year. The United States continued to be the principal supplier of Mexico's imports and the principal purchaser of its exports.

In line with the policy of promoting self-sufficiency and protecting domestic industries, Mexico continued during 1955 to restrict imports of many agricultural commodities through the issuance of import permits. Exports were also controlled to regulate supplies and prices within the country.

The government continues to support farm prices for corn, wheat, beans, and rice. Ceiling retail and wholesale prices are still in force for a large number of food products.

The rate of increase in agricultural production during recent years has exceeded that of the gross national product as well as the rate of oppulation growth. A large part of the increase in agricultural output has been due to larger crops of cotton, coffee, wheat, and beans. Among the programs for agricultural development which have contributed to this increase in production are the establishment of an agricultural extension service and of a system of crop insurance, the expansion in the irrigated area, and a larger volume of credit.

### Agricultural Commodities in Mexico's Trade

The total value of agricultural commodities imported by Mexico in 1955 was 84.5 million dollars, approximately the same as in 1954 but 6 percent lower than in 1953, when large imports of corn and beans were necessary because of poor crops. On the other hand, agricultural exports rose to the record level of 360.2 million dollars, 37 percent higher than in 1954. The principal factors in this increase were the heavy exports of cotton and coffee and the favorable prices prevailing for these commodities.

The principal agricultural commodities in Mexico's foreign trade during the past two years, and the proportion from the U.S. are shown in Table 1. The United States supplies practically all the food products imported by Mexico and about 80 percent of its total agricultural imports.

Cotton and coffee continued to have the first two places in Mexico's exports of agricultural commodities as well as in the country's total exports. The value of cotton exports has more than doubled since 1953 and a rise of 79 percent has taken place in the case of coffee. Increases have also taken place in the case of other exports, principally sugar, peanuts, cacao, chick-peas, strawberries, and melons. Table 2 shows the quantity and value of exports from Mexico during 1954 and 1955 and the proportion exported to the United States. The United States was the market for almost all the cattle, henequen, fiber, cacao, winter vegetables, fresh fruits (with the exception of oranges), molasses, vanilla, chicle, and shrimp exported by Mexico. It also purchased 88 percent of the vegetable wax, 75 percent of the cottonseed cake and meal, 74 percent of the beef, 58 percent of the broomroot, 56 percent of the canned pineapple, and 53 percent of the shelled peanuts.

## Agricultural Trade Regulations and Policies

In carrying out its program of economic development of the country, while at the same time protecting as far as possible its foreign exchange situation, the government has followed policies which have greatly affected foreign trade in agricultural commodities. Among these are the following: (1) promoting self-sufficiency with respect to food products; (2) protecting domestic industries; (3) restricting imports of luxury commodities; and (4) requiring the highest possible degree of processing of raw materials before they are exported. During the past year, there has been a continuation of these policies.

## Import and Export Permits

Imports of a long list of agricultural commodities are still subject to permit from the Ministry of Economy. Among the important commodities in this list are: Powdered milk, wheat, fresh fruits, hides and skins, wool, and most fats and oils (both animal and vegetable). Exports are also controlled through permits from the Ministry of Economy in order to regulate supplies and prices within the country. The major commodities subject to export permit are the following: Cattle, sheep, meat, eggs, hides and skins, wool,

beans, potatoes, rice, ginned cotton, fibers (including kenaf, ixtle, and henequen), oilseeds, sugar, molasses, vegetable oils, and animal fats. Some of Mexico's leading exports, such as coffee, cacao, cattle, and sugar, are among the commodities subject to export license. The Ministry of Economy, after consulting the Ministry of Agriculture, determines the country's consumption requirements of these commodities and decides on the quantity for which export permits will be granted.

### Duties

Control of foreign trade is also exercised through the tariff, which includes a combination of specific and ad valorem duties. The ad valorem duty is based on the invoice value or on an official value, when one has been established, whichever is higher. The official value is subject to change by the Ministry of Finance.

The most important change in these prices in recent months took place on June 30, 1956, when a decree published in the Diario Oficial of that date, effective the following day, revised the official value for export tax purposes of a number of commodities, including cotton. The official value of cotton was reduced by 30 percent but the ad valorem rate of 22.44 percent remained in force. It is estimated that the reduction in the duty payable will represent a loss to the Mexican government of about 12 million dollars in revenue in 1956-57. The full benefit of the duty reduction is expected to be passed on to the grower.

### Barter Transactions

The National Bank of Foreign Commerce is the agency which has been assigned the study of possibilities for effecting barter transactions. The Bank has released the following list of commodities which Mexico would like to barter with other countries: Cotton, henequen manufactures, piloncillo (non-centrifugal sugar), canned pineapple, chickpeas, rum, cotton textiles, zinc oxide, sulphur, porcelain manufactures, glass manufactures, footwear, plywood ("Fibracel"), pencils, bicycles, electric articles, iron and steel furniture, iron and steel tools, "spelter" zinc, and fluorspar.

Among the most important barter agreements involving agricultural commodities which took place during 1955 was one negotiated by CEIMSA with Commodity Credit Corporation for the exchange of Mexican fluorspar for 3.7 million bushels of United States wheat. Imports of wheat under this agreement were concluded during the month of May 1956. Other barter agreements during 1955 included the exchange of Mexican chickpeas for Spanish wines and the shipment of some quantities of cotton to Italy and Sweden in exchange for artificial fibers.

A barter agreement was concluded in June 1956 for the exchange of 1,477 short tons of Mexican beans for 550 short tons of Argentine lard. The agreement was negotiated by CEIMSA which has a surplus of beans which it desires to export and is also the sole importer of lard.

#### Other Export Aids

- 1. A program for the importation of United States trucks and the exportation of cotton was announced a few months ago. Under this program permits are granted to American automobile assembly plants in Mexico to import trucks from the United States provided they show evidence of the exportation of an equivalent value of cotton to any country except Japan. Later the list of imported products affected was increased. In actual practice the importer pays a commission, reportedly 1-1/2 percent, to a cotton exporter who assumes the responsibility to export the specified quantity of cotton within six months after the contract has been signed or pay a 10 percent fine.
- 2. Another program announced about a month ago calls for the exchange of Mexican cotton for German artificial fiber. Under this program the importers in Mexico of German artificial fiber are given permits to import the fiber only on condition that they show evidence of the exportation of an equivalent value of Mexican cotton to Germany.
- 3. Another program that has been under way for some time consists of a clearing agreement between the National Bank of Foreign Commerce and a group of French banks calling for the importation of French commodities, principally steel pipe and artificial fiber, and the exportation of Mexican commodities, principally cotton.

### Government Purchases

Imports of certain basic food commodities continue to be handled exclusively through the descentralized agency, Compania Exportadora e Importadora Mexicana, S.A. (CEIMSA). Imports by CEIMSA are exempt from the payment of duties. The commodities handled by this agency include corn, wheat, beans, nonfat dry milk solids, lard, and fresh eggs. Imports of these commodities are increased when prices tend to rise and decreased or suspended when the price level is considered satisfactory.

CEIMSA also handle the exportation of beans, of which there is now an export surplus.

## Domestic Market and Output Policies

Through CEIMSA, the Mexican government has followed a policy of regulating supplies and prices of certain basic agricultural products. This agency supports the price of corn and beans throughout the country during the harvest season extending from November to June. The price of corn was supported at a level which varied by states, ranging from \$1.02 to \$1.22 per bushel in November 1955 and increasing by \$0.02 per bushel per month until June 1956. The price of beans was supported at \$4.35 per 100 pounds in November 1955 with a monthly increase of \$0.05 per 100 pounds. The price of wheat has been supported during the current season only in the state of Sonora. The support price was \$1.99 per bushel. Rice is supported only in the state of Morelos at a level of \$0.09 per pound for Super Extra grade, with a maximum of 5 percent broken grains.

#### Extension Service

One of the most important developments in the field of agricultural policy in Mexico in recent years has been the establishment of an Agricultural Extension Service. The service started three years ago with 40 extension workers and now is operating with a staff of 240 workers stationed in the major agricultural districts. Their work is directed primarily to help the farmer increase his yields of the basic food products, namely, corn, wheat, and beans. Assistance is given in the selection of improved seeds, use of fertilizer, control of diseases and pests, use of green manure crops, crop rotation and other practices that will raise the present yields.

A pilot project has now been started in the State of Guanajuato for improving rural homes which will eventually be extended to other states. Work has also been started in organizing clubs of farm youths similar to the 4-H clubs in the United States in order to develop an interest among them in improved agricultural practices.

#### Crop Insurance

Another development in the field of agriculture which has been of great assistance to farmers is the establishment of crop insurance. Although insurance against hail had been available in some districts for many years, it was only in May 1955 that the new crop insurance system against all risks began its operations. Associations of farmers called mutualidades are now operating in all states except for Guerrero, Yucatan, Campeche, and Quintana Roo. The area insured during 1955-56 exceeded 2.5 million acres and represented about 10 percent of the total area cultivated. It is expected that it will reach 7.4 million acres before the end of 1956. Insurance covers all risks including hail, drought, floods, hurricanes, fire, frost, diseases, and pests.

The total number of crops insured during 1955-56 was 14 and the most important were wheat, corn, cotton and beans. It is planned to increase the number of crops to 30 before the end of 1956.

## Livestock and Poultry Promotion

The Ministry of Agriculture and Animal Industry is carrying out a program for the improvement of the livestock industry of Mexico consisting principally of: (1) the establishment of artificial insemination and livestock breeding centers; (2) pasture improvement; and (3) the importation of breeding stock. The establishment of artificial insemination centers started in 1950 and has been greatly expanded during the past few years. At the present time there are 26 stations operating and it is expected that six more will be inaugurated soon. In addition there are nine breeding stations of which three are for Zebu cattle and one for each of the following breeds: Holstein, Brown Swiss, Hereford, Shorthorn, and Charolais. There is also one for Poland-China hogs and for Rambouillet sheep. There is also under way a program for establishing 17 hog centers throughout the country. Two or three breeds will be used at these centers for distribution to producers in the district. The breed that seems to be favored is the Hampshire.

The program for poultry improvement is being carried out principally by the Ministry of Agriculture and Animal Industry and the National Bank of Foreign Trade. The program of the Ministry has as its objective the establishment of 22 poultry centers throughout the country.

## Irrigation

Mexico continued expanding its irrigated area during 1955. Preliminary data from the Ministry of Hydraulic Resources indicates that a total of 693,372 acres were either newly irrigated or improved during the year, compared with 504,247 acres during 1954 and 400,878 acres during 1953. Of the total area irrigated or improved during 1955, about 56,833 acres represented small projects or irrigation through wells and pumps and the remainder large projects.

The most important area opened to irrigation during 1955 was the Fuerte Valley in the state of Sinaloa, where it is estimated that 74,130 acres were improved during the year. The total area to be irrigated by this project is 543,620 acres but it is not expected that this total will be reached before the end of two years.

In addition to the Federal projects, considerable areas were opened to cultivation through private irrigation, but no statistics are available on the size of the areas involved. Most of these projects consisted of the drilling of wells.

### Credit

One of the factors which contributed to the increase in agricultural production during 1955 was the expansion in the volume of credit available to farmers and livestock producers. The volume of credits by the banking system for agricultural and livestock use outstanding by the end of 1955 represented 26 percent of all loans and 34 percent of all loans for production. The volume outstanding for agricultural and livestock use has increased much more rapidly than total loans or loans to industry. While outstanding agricultural and livestock loans have increased by 110 percent from the end of 1951 to the end of 1955, total loans rose by 76 percent and industrial loans by 69 percent.

Table 1. - Principal Agricultural Imports and Proportion From U.S. 1954 & 1955

	Unit	<u>1954</u> (Quan	<u>1955</u> tity)	1954	ty from U.S. 1955 of Total
Cattle for breeding Dairy products	No. head	3,860	11,983	94	96
Milk, powdered Cheese, all kinds Eggs & poultry		6,358 838	6,506 560	30 17	80 20
Eggs, fresh Eggs, dried Baby chicks Animal fats	1000 lbs. 1000 lbs. No. head	25,108 571 4,398	15,957 353 5,663	70 100	100 74 100
Lard Other fats 1/ Other livestock products	1000 lbs.	22 <b>,75</b> 4 63 <b>,</b> 656		100 98	100 96
Hides & Skins 2/ Wool	1000 lbs. 1000 lbs.		36,420 13,867	100	99 3
Grains Wheat Corn Barley Malt Oats, hulled Feedstuffs Beans	1000 bu. 1000 bu. 1000 bu. 1000 bu. 1000 bu. 1000 lbs. 1000 lbs.	2,287 5,696 617 703 147 13,203 29,035	351 35 351 462 174 44,667 4,145	100 94 98 100 96 77 64	100 100 100 99 100 90
Fruits, fresh Apples Pears Grapes Fruits, dried	1000 lbs. 1000 lbs. 1000 lbs. 1000 lbs.	3,355 661 1,821 3,871	112 51 108 3,140	100 100 100 70	100 100 100 71
Vegetables, fresh Onions Potatoes Tomatoes Other Hops Cottonseed Tobacco	1000 lbs. 1000 lbs. 1000 lbs. 1000 lbs. 1000 lbs. 1000 lbs. 1000 lbs.	2,778 295 9,231 4,791 2,114 13,856 6,365	6,812 761 3,435 5,928 2,833 23,609 3,058	100 100 100 92 99 100	100 91 100 95 98 100 93
Total Agricultural Imports	Mil. dol.	84.7	84.5		

<sup>1/</sup> Mostly tallow.
2/ Untanned only.

Table 2. - Selected Agricultural Exports and Proportion to U.S. 1954 & 1955

	Unit	<u>1954</u> (Quar	<u>1955</u> ntity)	Quantity <u>1954</u> Percent o.	from U.S. 1955 f Total
Animals & Animal					
Products Cattle Beef, fresh &	No. head	4,645	243,434	0 <u>1</u> /	99
frozen Honey	1000 lbs.	29,705 19,955	13,744 17,776	81 42	74 43
Fibers Cotton Henequen fiber Henequen waste	1000 lbs. 1000 lbs. 1000 lbs.	571,915 61,270 3,199	776,976 46,795 6,812	71 <u>2</u> / 92 99	69 <u>2</u> / 98 100
Coffee Cacao Grains	1000 lbs.	152,201 6,442	184,009 11,054	90 100	88 100
Corn Oats Sorghum, whole	1000 bu. 1000 bu. 1000 bu.	3/ 396 0	2,308 310 442	2 100 0	58 100 100
Pulses Chickpeas Beans Vegetables	1000 lbs.	14,469 553	42,454 20,441	37 100	4 50
Tomatoes Peppers, dried Onions Garlic	1000 lbs. 1000 lbs. 1000 lbs. 1000 lbs.	182,640 1,911 14,288 12,868	108,585 3,620 10,752 11,135	100 98 97 87	100 99 100 83
Fruits Bananas Pineapples, fresh Pineapples, canned	No stems 1000 lbs.	2,739 48,528 30,009	1,812 47,994 26,647	100 100 47	100 100 56
Strawberries, frozen Melons Watermelons Oranges Peanuts, shelled Peanuts, unshelled Feeds	1000 lbs. 1000 lbs. 1000 lbs. 1000 lbs. 1000 lbs.	9,773 33.852 11,557 13,765 32,123 9,317	13,441 44,742 28,298 32,064 43,777 8,750	100 100 100 64 <u>2</u> / 6	100 100 100 69 <u>2</u> / 53
Cottonseed cake & meal Other feeds Sugar, refined Molasses Vanilla Total Agr'l Exports	1000 lbs. 1000 lbs. 1000 lbs. 1000 gal. 1000 lbs. Mil. Dol.	375,047 132,159 146,101 42,423 295 262.6	374,447 122,159 161,203 45,639 249 360.2	87 99 67 <u>2</u> / 100 98	75 72 69 <u>2</u> / 100

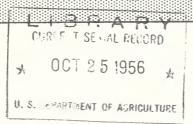
<sup>1/</sup> The U.S. border was closed to imports of Mexican cattle from May 23, 1953 to January 1, 1955. 2/ Mostly for transhipment. 3/ Less than 500 bushels.

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# FOREICH ACRICULTURE OIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.



FATP 34-56

October 10, 1956

# Brazilian Policies and Programs That Tend to Deter U.S. Trade in Agricultural Products

The major elements of Brazilian agricultural trade policy remain unchanged, although recently, there have been a few program adjustments. 1/During the past year the following conditions or trends have prevailed:
(1) Exchange controls have continued as the principle device for controlling trade; (2) Bonuses to exporters (above the official exchange rate) have gradually increased; (3) Dollar allotments to exchange auctions have remained low but have been increased recently; (4) The free cruzeiro-dollar exchange rate is currently high; (5) A moderately favorable balance of trade has developed recently; (6) The Bank of Brazil dollar balance has increased; (7) Agricultural and food prices and the cost of living have risen steadily; (8) Trade with countries having bilateral commerce and clearing arrangements has increased relative to trade with the United States; (9) The internal money supply has mounted steadily, thus adding fuel to the already strong inflationary trend.

# Exchange Control

The maintenance of an approximate trade balance without large new capital transfers to settle current trade accounts, plus protection of certain domestic producers against foreign competition, appear to be the continuing policy of the Brazilian government. Exchange control, rather than tariffs

I/ For earlier publications describing Brazilian agricultural and trade policies, see: Foreign Agriculture, January 1954 entitled "Brazilian Agricultural Policy Affects Trade and September 1956 entitled "What the Future Holds for U.S. Farm Markets in Brazil; also Foreign Agriculture Circulars, FATP 6-54, August 5, 1954 entitled "Brazilian Agricultural Policy in 1953-54 and FATP 28-55, August 1955 entitled "Brazilian Policies and Programs that Affect U.S. Trade in Agricultural Products.

Latin American Analysis Branch

or quantity restrictions as such, remains the main implementing device. The government aims to acquire all foreign exchange earnings from exports, and periodically allots a limited amount for auction at bid prices at or above fixed minimum prices, by categories of commodities. (Table 1) Import licenses are granted to buyers of exchange in the auction.

U.S. dollars and the currencies of countries labeled "Other" 2/ shared a notable decline in offering while the remaining currencies held their own or strengthened in volume. This trend has been reflected in the reduced value of U.S. exports to Brazil for this period.

The relation of auction exchange prices to agricultural imports comes into sharp focus when applied to specific commodities. Many of the agricultural production requisites such as dairy equipment and cultivation equipment are in Category I, which means that importers can now purchase dollars at somewhat above the free exchange rate, i.e. Cr\$75 to Cr\$85 to the U.S. dollar in recent months. Although this rate is well above the rate paid to exporters, i.e. a range of Cr\$37 to Cr\$67 per U.S. dollar, it is conducive to a moderate amount of importation. Category II includes several agricultural commodities of special interest to U.S. exporters including among others, oats, cigar wrapper tobacco, evaporated milk and powdered whole or skimmed milk for retail sale. Exchange in this category has sold at Cr\$100 to Cr\$150 per U.S. dollar in recent months. This level of dollar exchange cost has severely hampered the importation of these agricultural products on a commercial trade basis.

Dollars were sold in Categories III, IV and V for Cr\$200 to Cr\$300, rates which are sufficiently high to virtually preclude commercial imports from the U.S. of a long list of grain, livestock, fruit and poultry products.

In addition to the five import categories, there have been special exchange auctions for a limited number of agricultural requisites of which \$850,000 (U.S.) have been offered weekly in all Brazil. Exchange for these imports usually sells for less than in Category I. Fertilizers, insecticides, plant bulbs, seeds, vitamins, hatching eggs and some classes of livestock, for example, have enjoyed a rate varying from Cr\$43.82 to Cr\$46.32 per dollar. This system of exchange is further complicated by special rates for petroleum, wheat, and paper and newsprint.

## Export Agios

During the past year numerous upward adjustments have been made in the so-called bonus payments (Agios) to exporters of specified products. These adjustments came largely through the creation of special export categories. Responding to President Kubitschek's May 14 promise of steps to open Brazil's ports for greater exports, SUMOC (Superintendency of Money and Credit), on June 8, issued regulation 131, incorporating a substantial devaluation of the export cruzeiro. (Table 2)

2/ Argentina, Austria, Bolivia, Chile, Spain, Finland, Greece, Hungary, Italy, Yugoslavia, Japan, Norway, Poland, Czechoslovakia, Turkey, and Uruguay.

In addition to the agios, Brazil also uses other means to facilitate exports of commodities that are over-priced in relation to world markets. These methods include bilateral trade agreements, bonuses above specific category rates, government exports at prices below cost and under-invoicing of exports an illegal and unsanctioned practice.

The effective export exchange rates are alleged to represent levels of return sufficient to induce "desirable" levels of export of the products in the several categories. None of these rates is equal to the recent free market rate of Cr\$75 to Cr\$85 to the U.S. dollar. Consequently, there is a continuing monetary inducement for exporters to under-invoice export shipments. On the other hand, producers by-and-large appear to have profitable operations at the present level of prices. This is especially true of most coffee growers who are clearly being stimulated to expanded operations. There has been a strong and persistent tendency, as Brazil's inflation advances, for an upward adjustment of the export payments for most products except coffee. The rather unique position of coffee in the production, profit and export picture has posed a currency reform problem. Coffee aside, currency revaluation to a level near the average or highest rate at which exporters are compensated, might be feasible. However, such a rate would further stimulate production of coffee which is already faced with a future prospect of surpluses.

### The Balance of Payments and Agricultural Trade

During 1955 Brazil brought the cost of her commodity and service imports approximately in line with the value of the corresponding exports, the deficit totaling only \$13 million. Capital service and amortization charges required an additional outlay of \$126 million. This trend, started in 1955, has carried on into the first semester of 1956. A high level of coffee exports has contributed notably to this development as, also, has the tight rein held on imports through exchange control.

While this development reduces the need for capital transfers to settle the current trade account, and reduces the urgency of need for refunding of old capital obligations, it, on the other hand, has deprived the economy of some imports essential to economic development.

Agricultural imports reflect the basic trade policy and the results of its operation. There is indeed scant hope that the rigorous control of agricultural imports will be significantly relaxed in the year ahead. On the other hand, the Brazilian Government has shown interest in a new P. L. 480 program with the United States. Such an arrangement could facilitate trade with Brazil during the difficult two to three years ahead. It could enable the U.S. to sell surplus commodities without disturbing normal trade patterns and, in addition, assist greatly in the development of the Brazilian economy; a condition necessary for the expansion and liberation of its trade.

### Agricultural Trade

Imports: During the past year, notwithstanding the austerity import program, agricultural imports have increased moderately in amount and value with the latter remaining constant, i.e. 14 percent in relation to total imports. Under freer conditions as to exchange and markets, Brazil would very likely import substantial quantities of wheat, dried milk, deciduous fruit, packaged foods, livestock feed and, seasonally, some lard. Agricultural production requisites such as fertilizers, breeding stock, seeds and farm equipment would likewise enjoy a lively demand. Under present stringent import controls, however, U.S. can expect commercial exports of only a limited quantity of production requisites and a small amount of packaged food products.

The poor immediate outlook for commercial agricultural exports to Brazil must be stressed and treated as such. It is equally important however, to consider the factors which may lead to a more favorable trade prospect for the longer run. Population and the gross national product have a good prospect of increasing by an estimated  $2\frac{1}{2}$  percent per year, and urbanization is growing. Tropical and semi-tropical products are expected to continue as the mainstay of agricultural production and exports. Wheat, cotton, and corn production are not expected to increase as rapidly as domestic demand, thus the agriculture and trade of the U.S. and Brazil may become somewhat more complementary.

Brazil's currently favorable balance of trade could be marking the time when foreign exchange supplies will increase and could be a short first step toward increased commercial opportunity for trade. Commercial agricultural traders could well press for more liberal regulations and prepare plans and programs for greater trade opportunity.

Exports: The high level coffee exports during the first semester of 1956, has accounted for over half of Brazil's exports and contributed notably to an increasingly favorable trade balance. Cotton exports have been reduced sharply in recent months as a result of a short and rain-damaged crop.

Sugar exports have ceased as short consumer supplies have appeared in Rio and São Paulo. Cacao exports, after a slow early season start, are now running well above last year. Brazil nut exports are moving slowly due to alleged low bidding by importers. The rice surpluses of last year have moved into export and the relatively small current crop will not likely exceed domestic requirements.

## Bilateral Trade Agreements

The Brazilian Government is now in the process of renegotiating most of her bilateral trade agreements. Such arrangements are in effect with Spain, Portugal, Greece, Iceland, Yugoslavia, Hungary, Uruguay, Bolivia, Poland, Denmark, Czechoslovakia, Austria, Chile, Argentina, and Japan. There is also a possibility that eastern Germany may be added to this list since negotiation with a trade team from that area is now in progress.

The more important agricultural aspects of the bilateral arrangements are: (1) on the import side - Brazil's purchases of about one million tons of wheat from Argentina and Uruguay, 45,000 tons of deciduous fruit from Argentina, virtually all of Brazil's commercial imports of dry and condensed milk and cream from Denmark; (2) on the export side - Brazil's sales of cotton, coffee, citrus fruit, and bananas are most important. About one-half of Brazil's cotton exports have gone to bilateral agreement countries.

The limited convertibility area including the United Kingdom, Belgium, Luxemburg, Netherlands, Italy, Germany, and France have like-wise been important cotton outlets for Brazil - taking about one-third of her total cotton export in 1954-55. Brazil's efforts to expand the number of countries in the ACL may bring in a new member or two in the year ahead.

### Prices

Prices to the farmer of most agricultural products moved upward during the past year with striking advances for castor seed and unshelled peanuts. The latter is largely the result of a short 1956 crop, while the castor seed advance is said to result from a rapidly growing domestic and export demand.

Comparison of these prices with U.S. farm prices is complicated by the choice of exchange rate to apply in converting cruzeiros to dollars. The official rate of Cr\$18.82 for exports is meaningless and the ever varying free rate (approximately Cr\$80 per U.S. dollar) is, in an important sense, inappropriate since exporters of these products are not permitted to realize that amount.

Perhaps the most meaningfull rate for comparative purposes is the legally effective rates for compensating exporters. These are:

Cruzeiros	Per	U.S.	Dollar

Coffee	37.06
Cotton lint	43.06
Cotton linters	55.00
Peanuts	55.00
Potatoes	55.00
Beans	55.00
Corn	55.00
All other exports	67.00

The recent sharp advances in the price of beans, dried meat (charque), mandioca and rice, all Brazilian diet staples have been keenly felt by the lowest income group. Arresting of inflation and a substantial increase in real income are needed to make the country a bigger element in world trade.

An important element in the inflation problem is the steady increases in means of payment (demand deposites and paper money) without corresponding growth in the real volume of business.

Table 1. Import Categories For Selected Agricultural Imports, and Cost of Dollar Exchange - September 11, 1956

	Legal Minimum Cruzeiros	September Market per U.S. Dollar
Category I Category III Category IV Category V	43.82 48.82 53.82 58.82 118.82	Cr\$51 to 56 Cr\$78 to 85 Cr\$148 to 159 Cr\$191 to 200 Cr\$271 to 273

### Category I

Day old chicks and turkeys Rhubarb Powdered whole milk for import feeding Eggs for incubation

### Category II

Cigar wrapper tobacco Powdered milk for retail sale Evaporated milk Oats Cereals for infant feeding

### Category III

Linseed and flaxseed Raw or ginned cotton 1.5 inches up Malting barley Hops

## Category IV

Inedible tallow
Nonfat powdered milk for industrial use and feeding purposes
Fresh fruits
Dried fruits and nuts
Olives
Dried peas and chickpeas
Garlic
Alfalfa

## Category V

All products not specifically included in previous categories and includes among others, lard.

Total	37.06	43.06	57.77	67.00 64.28
Agio	$\frac{18.702}{17.193}$	24.70 <u>2/</u> ce 22.95 <u>3/</u>	36.64 2/ 34.41 3/ cer, cer, lage- lcica Lassa-	15.92 3/
Current	Coffee	Cotton lint, cacao seans, paste and cake hides $\frac{1}{\mu}$	Cotton linters and 36.6 residues, peanuts, 34.4 potatoes, bananas and other table fruits, Brazil nuts, lumber, vegetable waxes, mate, mandioca flour, dried beans, soybeans, cacao butter, leaf & twist tobacco, wool, macaranduba, magnethol, rosewood oil, sassafrass oil, olticica oil, corn, iron ore, manganese, hides, piassava, quarts.	All other export pro- $48.642/67.00$ ducts not mentioned $15.923/64.28$ above
Effective Cr\$ Total	31.50	37.06 35.55	113.06 111.31	50°06 48°03
Agio CR\$	13.14 2/	18.70 2/	24.70 2/ 22.95 3/ ni-	31.70 2/ re29.67 <u>3</u> /
Previous to Inst. 131	None 1/	Rough pine lumber Coffee	Piassava, castor beans, 2 cotton lint 5/, cacao 2 beans, cacao paste, soybeans, leaf tobacco, semiprocessed pine lumber, bananas	All other export pro- $31.70 \frac{2}{3}$ ducts not mentioned above $29.67 \frac{3}{2}$
Categories	Category I	Category II	Category III	Category IV

1/When SUMOC Instruction 112, June 22, 1955, was first published coffee was included in Category I. That was later changed to Category 2 leaving Category I vacant. 2/ Convertible and limited convertible ACL currencies. 3/ Other currencies. 1/ On June 8 cacao cake, which had been in Category III on the publication of SUMOC Instruction 131, May 13, was changed back to Category II. 5/ Cotton had been placed in Category III by SUMOC Instruction 115, May 3, 1955.

Table 3. Imports of Agricultural Products 1/

1950 - 1955

(Unit: 1,000 Short Tons)

Commodities	1950	1951	1952	1953	1954	1955
Wheat 2/	1,365	1,536	1,394	1,828	1,814	2,045
Codfish Barley Malt	28 35	144 143	514 52	24 54	42 54	41 61
Fruits	56	90	83	72	53	65
Olive oil	11	9	4	6	17	10
Lard	0	Ó	0	13	11	1
Powdered milk	1	6	9 37	3	2	6
Other foods Livestock 3/	83 23,136	53 17 <b>,</b> 607	9 <b>,</b> 778	139 6 <b>,</b> 266	60 6 <b>,</b> 298	61,664 1

1/ Including food and livestock.
2/ Including wheat equivalent of flour.
3/ Animal units.
4/ Includes 54,000 sheep.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FORETGIN, AGRICULTURAL SERVICE WASHINGTON D.C.

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FATP 35-56

U. S. DEPARTMENT OF AGRICULTURE

October 25, 1956

#### THE AGRICULTURAL SITUATION IN BURMA

The agriculture of Burma is one of imbalance—the country produces a great surplus of certain basic food commodities but insufficient amounts of others. Rice dominates the agricultural scene with annual production so far in excess of domestic food requirements that Burma occupies first place among the world's rice exporters. A surplus of pulses is also produced each year. At the same time, in order to provide a balanced diet and to afford some variety to the diet, Burma must import such foodstuffs as sugar, dairy products, edible oils, coffee, tea, and fishery products.

In general, Burma's production of foodstuff for 1956-57 is not expected to show any substantial change from the previous year. The monsoon this year has been normal and prospects for this year's production are satisfactory.

Burma's markets are well stocked, but with a limited variety of foods. Prices in relation to the average individual's purchasing power are high. Prices of many imported foods are inflated out of reach of the average Burman. As a result, the diet of this average Burman is confined to rice, vegetables, (including plenty of onions and garlic), pulses, and small amounts of fish or fish products. There are sufficient supplies of these items for the population (currently between 19 and 20 million)—a population that is not crowded on the land. There is much room for expansion of agriculture in Burma.

The Government has plans to expand the agriculture of the country. These plans contain a program to grow more and better rice. The goal for 1957 is to add 200,000 acres of rice paddy to the plantings. However, the production from this increased acreage will not be felt until 1957-58 crop year. And then climatic conditions could possibly nullify the contribution of this increased acreage to the rice harvest.

The 1955-56 rice crop was planted on an estimated 11,000,000 acres and some 6,531,800 metric tons of rough rice (4,356,700 tons milled) were harvested. Less than 3,000,000 metric tons of milled rice were consumed as food during this period by the Burmese and exports of milled rice amounted to 1,676,000 metric tons. The 1956-57 crop was planted in June, July, and August on an estimated 11,400,000 acres. The major part of this new crop will be harvested in November and December. It is estimated that when the harvest is completed, it will total about 6,804,000 metric tons of rough rice. Milled rice exports are forecast at approximately 1,930,000 tons during this period, and the domestic consumption will remain at about last year's level.

The 11 million acres planted to rice in Burma account for about 63 percent of the total cropland. Even so, this acreage is between 15 and 20 percent smaller than in prewar years. Much rice paddy has never been reclaimed from the jungle which took over during the war, and additional paddy is not cultivated now because of insurgent activities. It is an aim of the government's agricultural program to have these acres of paddy return to production.

The Government programs are leading to self-sufficiency in many food products; for example, sugar cane, peanuts, and coconut oil. However, it will take several years to bring into fruition coconut oil projects now being started. The Government, in 1956, has completed construction of two new sugar mills. This added capacity for processing sugar will permit the refining of about 40,000 tons of sugar annually and will encourage further expansion in the growing of sugarcane. But still it is anticipated that 10,000 tons of sugar will have to be imported in 1956-57. Burma's sugarcane plantings now stand at about 95,000 acres.

Peanuts are grown primarily for their edible oil. It is estimated that the plantings for the 1956-57 peanut crop totaled 830,000 acres, and that the production will be in the neighborhood of 152,000 metric tons of shelled peanuts. This is about 10,000 tons larger than last year's production, but still far from a self-sufficiency level. Last year 35,000 tons of peanut oil were imported. This year imports are expected to total 29,000 tons. It takes roughly 75,000 tons of Burma's shelled peanuts to yield 29,000 tons of oil. Little of the oil cake left after oil is extracted from the peanuts is used as food or feed in Burma. Peanut oil cake makes up the bulk (about 80 percent) of the oilseed cake which is exported each year. Last year's exports of oilseed cake totaled about 69,000 tons.

The production of pulses ranks high in Burma's agriculture with over one million acres planted annually. The 1956-57 crop of pulses is expected to amount to 235,000 metric tons, which approaches 95 percent of the prewar level. It is anticipated that Burma will export 100,000 tons of pulses during the 1956-57 crop year. Other food crops for which the 1956-57 acreage and production have been estimated are: millets (630,000 acres; 79,000 tons), corn (170,000 acres; 39,000 tons), wheat (45,000 acres; 9,000 tons), white potatoes (46,000 acres), vegetables (150,000 acres), bananas (112,000 tons), and other fruit (about 560,000 tons).

Neither meat production nor meat consumption is substantial in Burma. Beef is not available in the market. It is estimated that only about 400 tons of beef were consumed by Burmese last year—and this went almost entirely to military personnel. The Burmese are endeavoring to increase the number of work oxen and this fact, coupled with the Buddhist sympathies against slaughter of cattle, has held down beef consumption.

Pork is available in limited quantities in most parts of Burma, but more is available in the northern portions. It is used by all groups except the Moslems. More than 15,000 tons of native pork were consumed last year. Mutton (broadest interpretation used to cover all meat from goats and sheep) is eaten a bit more than pork with an estimated 25,000 tons being consumed last year. The Burmese also raise and eat a small quantity of poultry, possibly as much as 30,000 tons each year.

A high percentage of the animal protein in the Burmese diet comes from fish and fish products. Large quantities of dried shrimp are made into ngapi which is an integral part of the national dish of Burma.

Burma's most important non-food agricultural products are sesame seed, which is grown for its oil, and cotton. The 1956-57 sesame crop, sown on 1,425,000 acres, ranks second only to rice in acreage. Oil from the entire sesame crop is used domestically with only about 10 percent of it consumed as food; the bulk of it goes into industrial uses. However, as in the case of peanuts, most of the sesame oil cake is exported. In 1953 exports of sesame oil cake amounted to about 1,800 metric tons.

Cotton is planted on about 450,000 acres and the 1956-57 crop is expected to total about 100,000 bales weighing 480 pounds each. Burma has very little cotton milling capacity. Consequently, 80-90 percent of their raw cotton is exported while cotton textiles are among the most important import items. Most of the cotton grown in Burma in the past has been of short staple length. But the Government's agricultural program is encouraging the production of longer staple cotton which is better adapted for manufacture into textiles. Self-sufficiency in the production of cotton textiles is an objective in the Burmese plan.

The Burmese have planted tobacco on about 135,000 acres in each of the past few years. Production of the 1956-57 crop is expected to total 110,230,000 pounds. Continuing efforts are being made to increase the production of those types of tobacco which are preferred for the manufacture of quality cigarettes. It is significant to note that Burma's cigarette manufacturing capacity has increased in recent years and is now virtually large enough to manufacture all of the cigarettes needed to fulfill the domestic demand.

BURMA: Estimated acreage and production of principal crops

Crops	:	19	54-55	:	19	55-56	:	195	6-57
01 000	:	Acreage	: Production	:	<b>Acreage</b>	: Production	:	Acreage	: Production
	:	1,000		:	1,000	1,000	:	1,000	1,000
	•	acres	metric tons	:	acres	metric tons	:	acres	metric tons
Rice, rough Millet Pulses	•	11,080.0 600.0 1,000.01/	6,706.4 84.0 200.01/	:	11,000.0 630.0 1,018.0	6,531,8 79.0 224.0	•	11,400.0 630.0 1,100.0	6,803.9 79.0 235.0
Peanuts, shelled Sesame Sugarcane Cotton Tobacco	• • • • • • • • • • • • • • • • • • • •	779.0 1,402.3 90.0 450.0 133.0	104.3 36.9 1,168.0 21.8 48.5	•• •• •• •• ••	823.0 1,410.0 90.0 450.0 134.0	144.3 45.7 1,118.0 18.5 49.h	• • • • • • • • • • • • • • • • • • • •	830.0 1,425.0 95.0 450.0 135.01/	152.4 45.7 1,250.01/ 21.8 50.01/

BURMA: Imports and exports of principal agricultural commodities

Commodity	1953		: 1	1954		1955		
Commoditoy	Imports	: Exports	: Imports	: Exports	: Imports	: Exports		
			metric	tons		•		
Rice, milled Wheat flour Pulses Peanut oil Other vegeta-	19,116 neg. 75	969,628	23,836 2 8,622	1,460,476	25,000 34,769	1,697,828		
ble oils Oilseed cake Sugar, centri-	10,033	59 <b>,</b> 3 <b>3</b> 4	27,263	68,829	7,207	30,4922/		
fugal Cotton Tobacco,	12,720	25,374	24,987		25,000	12,776		
unmanuf. Dairy prod.	nil 14,362	nil	. 47 : 13,803	15	8,E35 <sup>2</sup> /	6 000 0 000		

<sup>1/</sup> FAS estimate. 2/ First six mont

First six months only.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D.C.

APR 2 6 1957

U. S. DEPARTMENT OF AGRICULTURE

FATP 36-56

November 8, 1956

# MOVEMENT OF AGRICULTURAL COMMODITIES THROUGH THE SUEZ CANAL

Total movement: In 1955, 14,666 ships passed through the Suez Canal carrying a total cargo of 107.5 million metric tons of which 15 percent was reported as agricultural commodities (64 percent was petroleum). The most important movement of agricultural products was northbound (east to west), bringing food and raw materials from East Africa and Southeast Asia to Europe and North America, and from Australia and New Zealand to Europe. About one-fourth of the north-bound agricultural commodities was vegetable seeds, oil and oilseed cake; one-fifth was grain and grain products, 15 percent was textile fibers and 11 percent was rubber. The principal southbound (west to east) products were sugar and grain and grain products. (Table 1)

A large percentage of the world trade of some agricultural goods moves through the Suez Canal:

Commodity	Approximate percentage of world trade via the Suez
Rubber	69
Raw jute	67
Jute products	33
Wool	40
Copra	50
Coconut oil	45
Palm oil	23

U.S.share: Although shipments of agricultural products to and from the United States represent less than 10 percent of the movement of such commodities through the Suez Canal, for certain products this trade route is essential. About 70 percent of the United States imports of rubber

from Indonesia and Malaya moves through the Canal. Almost all of the raw jute and jute products comes from India and Pakistan via Suez. Other agricultural imports using this trade route include: 105,000 metric tons of sugar from the Philippines; 27,000 metric tons of sisal from East Africa; 67,000 metric tons of coffee from Ethiopia and East Africa; 35,000 metric tons of tea from Ceylon, India and British East Africa; 58,000 metric tons of fruit; and 61,000 metric tons of vegetable oil and oilseeds. (Table 2)

The United States shipped 132,000 metric tons of grain and grain products through the Suez Canal to India and other countries of South Asia. This represented 27 percent of the grain moving south through the Canal. (Table 3) The recent Public Law 480 agreements with India, Pakistan and Indonesia include about 900,000 metric tons of agricultural commodities, principally rice, which normally would pass through the Canal.

Europe's share. By far the largest part of the agricultural products shipped north through the Suez Canal are destined for Europe, as Table 2 indicates. Such shipments include practically all of Europe's imports of rice, tea, jute, and rubber, more than half its imports of wool, and a substantial share of its imports of oilseeds, vegetable oils, cotton, barley, and sugar. European sugar imports via the Canal, however, were almost offset in 1955 by European sugar exports via the same route. Europe also sends considerable quantities of flour through the Canal, which partly offsets its wheat imports routed this way; wheat imports through the Canal, though large on a tonnage basis, are small in comparison with total European wheat import requirements.

In addition to the products already mentioned, Europe undoubtedly takes most or all of various other foods and feeds moving north through Suez, among them 383,000 metric tons of meat in 1955; 160,000 metric tons of animal fats and oils; 379,000 metric tons of corn, oats, and millet; 592,000 metric tons of oilcake; and probably a minimum of 80,000 tons of canned fruit, 40,000 tons of raisins, 10,000 tons of shell eggs, and 10,000 tons of dried eggs.

Canned fruit, dried fruit, eggs and egg products are not separately specified in the data presently available on cargo lists of ships passing through the Suez Canal, from which the accompanying tables were compiled. They may be included in the category "General Merchandise", which accounted for 3,772,000 metric tons northbound and 2,016,000 metric tons southbound in 1955. The northbound shipments also include other agricultural products, such as spices, drugs, and nuts, for Europe and North America.

TABLE 1: COMPOSITION OF SUEZ CANAL TRAFFIC BY COMMODITIES, 1955.

Northbou		Southbound			
Commodity	1,000 Metric tons	Commodity	1,000 Metric tons		
Grain & grain products Wheat & wheat products Rice Barley Corn Oats Millet	2,488 891 637 526 262 65 52	Sugar Grain & grain product Beverages Cotton Potatoes Sub-total	996 489 196 86 69		
Oilseeds	1,803	Other commodities *	18,246		
Copra Soybeans Peanuts Cottonseed Flax seed Palm kernels Castor beans Vegetable oils Peanut oil Coconut oil Palm oil Castor oil Cottonseed oil	664 513 297 110 38 37 27 583 141 133 130 37 20	Total	20,082		
Tung oil Oil cake Textile fibers Jute Wool Cotton Sisal	20 592 1,803 592 480 260 188				
Hemp Rubber Sugar Fruit Tea Coffee Animal fats & oils Meat Starch Molasses Hides and skins Dried vegetables Sub-total Other commodities * Total	78 1,349 964 618 368 175 160 328 266 166 162 103 11,928 75,498 87,426	* Includes 3,772,00 and 2,016,000 MT "General Merchands cludes some agric commodities.	southbound of ise" which in-		
Total	0/420				

TABLE 2: SELECTED AGRICULTURAL COMMODITIES IN SUEZ CANAL TRAFFIC NORTHBOUND TO UNITED STATES, EUROPE, AND OTHER COUNTRIES, YEAR 1955.

<u>Ur</u>	ited States	Europe	Other Countries	Total
	The	ousand metric	tons	
Rice Wheat and wheat prod Barley Sugar Tea	105 35	551 782 525 781 <u>1</u> / 280	84 108 1 78 53	637 891 526 964 368
Fruit Peanuts Copra	58 12 2	241 643 <u>1</u> / 381	0 加 19	618 297 664 513
Soybeans Other oilseeds Vegetable oils Wool	7 40 15	32	132 2 3 5	329 583 480
Cotton Jute Jute products Sisal	16 57 202 27	241 520 45 <u>1</u> / 16	3 15 125	260 592 372 188
Rubber: latex & shee		813	85	1,349
Total	1,030	6,263 158	6 752	9,631

<sup>1/</sup> Includes shipments to the Soviet Union, if any.

TABLE 3: SELECTED AGRICULTURAL COMMODITIES IN SUEZ CANAL TRAFFIC SOUTHBOUND FROM UNITED STATES, EUROPE, AND OTHER COUNTRIES, YEAR 1955

	United	d States	Europe	Other Countries	Total
Thousand metric tons					
Grain & grain Cotton Sugar	products	132 11 5	295 <u>1</u> / <u>797</u>	62 75 194	489 86 <u>996</u>
	Total	148	1,092	331	1,571

<sup>1/</sup> Negligible



# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE

WASHINGTON, D.C.

CURRE

APR 26 1957

U. S. DEPARTMENT OF AGRICULTURE

December 17, 1956

FATP-37-56

Danish Policies and Programs Affecting U. S. Trade in Agricultural Products

Exports of U. S. farm products to Denmark are small, but growing. Their value increased from \$19.5 million in 1954 to \$37.4 million in 1955, and reached \$42.9 million during the season 1955-56. factors played a role in this welcome development, among them a partial and gradual relaxation of trade restrictions on dollar goods which took place during the period, and augurs well for the future. However, the economic problems created by the Suez crisis may have repercussions. difficult to assess, on our exports to Denmark and on the country's liberalization efforts.

### Background

Trade in agricultural products is of basic importance to the Danish economy. Agricultural exports account for some 65% of all Danish exports. Though malting barley, sugar and potatoes, as well as other crops contribute to these farm exports, livestock products account for the bulk of them. But imported feeds - grains as well as protein feeds contribute significantly to the output of the Danish livestock industry (26% of all concentrates fed in 1954-55). Furthermore, Denmark generally imports a part of her wheat for milling purposes, and depends on imports for all her tobacco and cotton, as well as citrus and dried fruits, and for most of her oilseeds and vegetable oils - to mention some of the products of which the United States is an exporter.

Under the circumstances, Denmark has a vital interest in keeping the cost of agricultural imports as low as possible, procuring them from whatever source is most advantageous. Departures from a free import policy have nevertheless been extensive, due to a number of factors originating in part in the depression of the 1930's and accentuated during the postwar rehabilitation period. Balance of payments problems in general and a

shortage of dollars in particular have been the major reason for quantitative restrictions and the quota system of bilateral trade agreements, measures which in the early postwar years made the control of trade virtually complete. Whether intended or not, such measures provide protection to domestic industry. The fact remains, however, that the import restrictions have generally not resulted in high agricultural prices. Danish farm prices are almost entirely unsubsidized, and for most products are competitive in world markets.

With the renovation of the country's agricultural and industrial plant, full employment, expansion of foreign trade, and rising levels of general economic activity in most major areas of the world, Denmark, in conjunction with other countries in the Organization of European Economic Cooperation (OEEC), undertook a number of measures to liberalize intra-OEEC trade in the early 1950's. Though recently eased, restrictive measures on goods and services from the dollar area have remained far more extensive, and have served in no small degree as a deterrent to the sale of the U. S. agricultural products to Denmark.

### Principal Types of Trade Restrictions

The types of restrictive devices which interfere with the normal flow of trade are manifold. Listed below is a possible classification of such measures, ranging perhaps from the least to the most restrictive, as they are applied in Denmark.

l. Manipulation of Exchange Rates. While Denmark at numerous times in the postwar period, has experienced periods of deficit in her balance of payments, the country has managed to maintain relative stability in its foreign exchange rates. Denmark, of course, like most West European countries, made rather a radical adjustment in its rate in the general devaluation of 1949. Since then, in pursuing policies aimed at the restoration or maintenance of an equilibrium in the balance of payments, the country has not resorted to manipulations of the exchange rate (devaluation or appreciation) or to multiple exchange rates, but has rather attempted to expand exports, reduce imports, and/or, on a limited basis, attract foreign short- or long-term credit, coupling these measures with internal monetary and fiscal management.

Pressure for devaluation of the Danish krone generates from time to time, due to the rather chronically difficult foreign exchange position. Some of this pressure comes from organized groups in the agricultural sector who would expect to benefit from expanded sales abroad, and from an easing of their debt burden, if the currency were depreciated.

2. Tariffs. In Denmark, the use of tariffs as a regulator of the inflow of goods is minimal. Specific rates are applied to the vast majority of items, and ad valorem rates are seldom employed. The current Danish tariff act dates from 1924. With the tremendous rise in the price level

since then, and with specific rates virtually unchanged, it is obvious that the relative importance of the tariff rates has decreased, and that their regulating effects have been substantially lessened. In this connection it should also be stated that the Danish tariff structure is on a single tariff basis, meaning that the tariff rate is the same for all countries, and that no discrimination in the form of multiple rates is practiced.

During recent years, proposals for an upward revision of Danish tariff rates have been made, such suggestions generally coming from "depressed" industrial sectors, and from labor unions or other groups most directly affected by competition from foreign goods. In addition. the difficulties that the Danish exporters of agricultural products have met in foreign markets in the form of high tariffs, state trading, import quotas, etc., and the problems of price discrimination encountered by Danish importers of coal, iron and steel, and semi-finished products have led to occasional appeals for retaliation in the form of increased Danish tariffs. Successive Governments have in the past succeeded in warding off pressures, and Denmark through the years has adhered to a low tariff policy. However, a departure occurred in early 1956 when a bill was passed, raising the tariff on textile products, the difficulties of the Danish textile industry being attributed to dumping by foreign suppliers. The alleged dumping of finished textiles, among other things, had resulted in reduced imports of raw cotton for the depressed Danish textile industry. It may therefore be assumed that the new textile tariff will help stimulate future Danish imports of U. S. raw cotton, which normally accounts for almost one-half of all raw cotton consumed in Denmark. The textile tariffs were shifted from a specific to an ad valorem rate and were raised to two to three times their former level.

3. Bilateral Trade Agreements. Since the war, Denmark has employed this form of control of its international trade rather freely. In 1955 the country had bilateral agreements with a total of 28 countries. The nature of the agreements differs markedly as between countries within the European Payments Union (EPU) area and countries outside the EPU area.

Since a large share of the trade with EPU countries has been liberalized, the agreements entered into within the EPU area are in reality only skeleton agreements, that is, agreements pertaining to the somewhat limited group of commodities still on the "restricted" list. They stipulate the total value of such goods for which each country is prepared to issue import (or export) licenses. Usually prices are not stated but are left for negotiation between buyers and sellers.

Bilateral trade agreements entered into with countries outside the EPU area approach the character of barter agreements, for the total exchange of goods between Denmark and its trading partner must be more or less intalance (this is not the case for EPU countries). The applications for foreign currency for trading under these agreements are watched very closely to assure conformity with quantitative limitations; each government

assumes the obligation to comply with such applications for foreign exchange up to the maximum negotiated in the agreement.

To some degree, the bilateral agreements assure Denmark of an outlet for certain commodities in markets which it might otherwise be difficult to enter into. This has the salutary effect of providing a diversification of markets, particularly for agricultural commodities. Moreover, they give Denmark an assured source of supply for a limited number of commodities, regarded as essential for the economy. However, there can be little doubt that in order to maintain the two-way flow of goods in the confined channels of the bilateral agreements, Danish consumers have in many instances been forced to pay as much as 10-30% higher prices for lower quality products. An almost classical example of this is the high prices paid by Denmark for rather questionable qualities of Chilean prunes when lower prices prevailed for good quality U. S. products.

With the expiration on October 1, 1956, of the long-term bacon contract with the United Kingdom, the important Danish exports of livestock products to this number one Danish market are no longer subject to specific agreements. The butter and egg contracts expired considerably earlier.

During 1955-56 new bilateral trade agreements were concluded by Denmark mainly with Soviet Bloc countries, namely the USSR, Czechoslovakia and East Germany. The latter is of a somewhat different character than other agreements. Since Denmark does not recognize the East German Government, this agreement was negotiated with representatives of Danish industrial, commercial and agricultural organizations, not with the Danish government. Of most interest to American agriculture is the Danish-USSR trade agreement, which runs for a two-year period beginning May 15, 1956. It is expected that total trade between the two countries will amount to nearly 20 million dollars each way annually. The principal Danish agricultural products to be shipped to the USSR during the period are butter (22 million pounds), beef and veal (31 million pounds), and cheese (4.4 million pounds). Products of interest to U. S. agriculture to be imported into Denmark from the USSR are wheat (3.7 million bushels), rye (1.2 million bushels), and coarse grains (88,000 short tons), cotton (8,800 bales), and casings to a value of .15 million dollars. Potash, tractors and other farm machinery will also be imported.

Fulfillment of the agreement may, of course, mean smaller Danish takings of U. S. grains and cotton than would otherwise prevail. But this depends on Russian prices being competitive with U. S. prices, which may not be the case. Danish deliveries of livestock products to the USSR, on the other hand, would mean smaller marketings in Western Europe. If demand for livestock products is strong, it may be doubted that Denmark will divert supplies to the East at the expense of other markets.

4. Quantitative Controls. Licensing and exchange control, are the principal means by which Denmark exercises direct control over its foreign trade. They are, therefore, also the principal means of restricting

the importation of U. S. agricultural commodities into the country.

A distinction may be made between those quantitative regulations which apply to the EPU and dollar areas and those which apply to the countries outside the EPU and dollar areas. The latter need not be discussed here. Imports of commodities from the EPU and dollar area are broken down into three groups. Commodities in the first group can be imported only against an import license irrespective of the source (the "restricted list"), the second group of commodities can be imported freely from both the EPU and dollar area, and the third group of commodities can be imported freely from the EPU countries, but require license when imported from the dollar area.

Denmark has maintained rigid restrictions on the importation of most livestock, meat, dairy and poultry products in relation to all countries. Danish authorities maintain that the production of these commodities is highly subsidized in many countries. They fear that if they liberalized their imports, Danish producers (who are virtually unsubsidized, directly or indirectly) might find themselves losing their domestic market, in whole or in part, to what they regard as unwarranted competition.

Furthermore, though Denmark is generally regarded as an extremely low-cost producer of livestock and livestock products, the Danes feel that they encounter a great deal of restrictionism in foreign markets. Only if other countries were to reduce their subsidies for livestock production and export, and would agree to break down the protectionist shield erected against imports of livestock products so that Danish farmers were able to compete on "equal terms and not against state exchequers" would Denmark undertake to re-examine and probably cancel many of its quantitative restrictions on livestock and livestock products, it is maintained.

It should be pointed out that the restrictions levelled against the entrance of poultry and poultry products stem largely from veterinary and sanitary requirements. Denmark is free of Newcastle disease and in its effort to remain so the country prohibits the entry of foreign poultry and eggs.

Until recently, the Danish import policy regarding grains and feeds in the postwar period was characterized by two principal features:

(1) the close controls maintained over breadgrains (wheat and rye); and (2) the maintenance of import restrictions (except for periodic minor exceptions) on feed grains from the dollar area.

The explanations advanced for the continuance of import licensing for the importation of breadgrains, even from the OEEC area, are rather vague, but the basic reasoning seems steeped in war-time experiences. Authorities in Denmark feel there is a need for maintaining the production potential at a level high enough to cover domestic requirements if the country were shut off from outside sources. So far as feed grains are concerned, the fact that completely unrestricted imports of feeds grains

from abroad might lead to overexpansion of the livestock industry may have played a role in maintaining restrictions on dollar imports. The policy has also served to encourage trade with Mediterranean countries and Latin America, regions where Denmark is interested in expanding her markets.

Import licenses for grains are currently being granted more liberally than heretofore. In view of the poor milling quality of the 1956 crops, licenses for imports of wheat and rye from the EPU Area are granted freely, regardless of actual usage. Licenses for wheat and rye from the dollar area are granted freely only if the grain is actually for milling purposes. In respect of coarse grains it is indicated that if and when the price differential is sufficiently tempting, licenses will be granted for dollar imports of barley and oats. For corn licenses are being granted.

During 1954-55 Denmark purchased approximately 4 million dollars worth of U. S. grain, primarily wheat and grain sorghum, against payment in local currency under PL 665. However, the country has steadfastly refused to participate in purchases under PL 480, because of opposition to the 50-50 shipping clause, which applies to sales under this Act. Nevertheless, grain purchases in 1955-56 amounted to 8.9 million dollars.

The import of oilseeds and other material of vegetable origin for crushing and extraction purposes, has been liberalized both in relation to the EPU and the dollar area, but vegetable oils continue to be carried on the restricted list.

The present arrangement for vegetable oils grows out of a desire to protect the local oil processing industry which, although small, employs about 1,600 people, represents a certain vested interest, and is looked upon as a rather important industry in the event of a war-time emergency. Moreover, it has been argued that it is cheaper to secure the necessary supplies of oil through import of seeds and domestic processing than through the importation of packaged or tinned oil, particularly in view of the great demand in Denmark for the important by-product, oilcake.

Denmark was one of the last countries in Western Europe to resume the importation of U. S. fruit after the war and the first small step in partial relaxation of this trade was taken only in the summer of 1955. The major deterrents to the trade in U. S. fruits have been, (1) the existence of bilateral trade agreements under which Denmark agrees to take dried and fresh fruits in return for an assured market for Danish export products, usually of secondary importance to the importer; (2) balance of payments difficulties and the ensuing argument that imported fruits are "luxury" articles for which the Dane must minimize his consumption as scarce foreign exchange holdings are to be expended on items more essential for the economy; and (3) a small, vociferious domestic fruit growers' group,

which apparently has been quite successful in advocating the maintenance of import control, and in promoting the production and sale of Danish fruit, primarily apples.

Raisins and currents were the first fruits to be liberalized to the dollar area, and for prunes and dried apricots licenses are now being granted freely. There has been some discussion of liberalization of canned fruits from the United States, but the outcome is very uncertain. Fresh fruits also continue to be barred from entry.

Some fruits, particularly canned fruit, are coming into the country from the EPU area through purchases negotiated with dollar premium certificates under the dollar premium plan (see below). Under this plan, purchases can be made of articles on the "restricted list"; in other words, these purchases are outside import restriction control if payment is made with dollar premium certificates. However, the dollar premium certificates, while earned by sales to the dollar area, cannot be used to purchase goods or services from the dollar area; thus U. S. fruits are excluded under this scheme.

Among agricultural products not mentioned above, which are no longer subject to import restrictions when purchased in the dollar area, are cotton, tobacco, rice, hides and skins, casings, and various seeds.

### The Dollar Premium System

The only form of export subsidy applied in Denmark is the dollar premium system. Under this system an exporter selling to the dollar area receives a dollar premium certificate equivalent to 10 percent of the revenue earned by such exports. These certificates are negotiable at 80 percent of par, which means that the exporter earns an extra eight percent in addition to the direct dollar export value. From January 1, 1957, the exporter will, however, receive dollar certificates equivalent to 7.5 percent of the export revenue only but still negotiable at 80 percent of par. Consequently, from that date on he will only receive a dollar premium of six percent compared to the present eight percent. Further reduction is contemplated.

The dollar premium, among other things, has made exports of canned hams from Denmark to the United States more profitable than would otherwise be the case. But the Danish canned ham factories have been faced with severe competition in the U. S. market during the last 12 months or more, as well as with rising costs at home. Being deprived of part of the current dollar premium, the canning factories will experience additional difficulties in maintaining this export, which in recent years has been Denmark's largest dollar earner. It is, therefore, possible that the reduction of the premium, especially if carried further, will cause a decline in dollar earnings, which in turn may be reflected in reduced dollar imports.



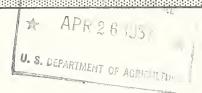
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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP-38-56



December 17, 1956

Italy's Agricultural Trade and Market Policy 1/

#### General Comments

The principal factors hindering U. S. trade with Italy in agricultural products are Italy's dollar import restrictions, bilateral trade agreements, priority for countries belonging to the Organization for European Economic Cooperation (OEEC), efforts to achieve self-sufficiency, and state trading (in wheat and tobacco). During the past year there has been practically no change in the policy of the Italian Government with respect to these factors.

There is some evidence, however, that certain high Italian officials favor less emphasis on self-sufficiency. In this connection, Minister of the Treasury Medici, in a speech addressed to the Chamber of Deputies on March 28, 1956, said:

"It is this intention (to promote the flow of foreign capital to our country) that makes us consider it indispensable to continue to pursue our import liberalizing policy since it would obviously be a contradiction to close the domestic market to foreign goods while pursuing a policy designed to promote the entry of foreign capital. We must therefore resist the temptation of falling prey to dreams of self-sufficiency, always ready to restrict and shackle enterprises springing up spontaneously in an atmosphere of free international trade - that is to say of vaster markets."

Somewhat along the same line, Minister of Agriculture Colombo, in a speech to the Chamber of Deputies in June, commented that recent measures adopted to facilitate a reduction in the area planted to rice and sugar beets were justified on the basis of consumption needs. He stated further that fears concerning an immediate reduction in the wheat area were premature; however, such a reduction would come about in time as a result of a policy of incentives directed toward the expansion of livestock production.

<sup>1/</sup> Prepared for publication in the European Analysis Branch.

### Trade Regulations

l. Quantitative Import Restrictions. Quantitative restrictions on imports from the dollar area continue to limit Italian imports of most U. S. agricultural products. As the Italian balance of payments situation improves, gradual progress is being made in liberalizing (removing quantitative restrictions on) imports from the dollar area, but few agricultural items have thus far been included.

Italy's balance of payments position has shown a continually improving trend during the past three years. Its gold and dollar reserves rose from \$665 million at the end of 1952 to \$1,139 million at the end of 1955 and \$1,214 million at the end of June, 1956. It should, however, be noted that this substantial increase in dollar area surpluses was due almost entirely to continuing Italian receipts under various U. S. Government aid programs.

Italy took the first major step in dollar liberalization in August of 1954, raising the percentage of liberalized imports from the United States from 10 percent to about 24 percent, based on 1953 private (i.e., not statetraded) imports. The only important agricultural commodity included was oilcake. With growing dollar reserves and the necessity of settling its European Payments Union (EPU) deficits in gold to the extent of 75 percent 2/ Italy increased its dollar liberalization further to 40 percent of 1953 private imports (probably about 65 percent on the basis of 1955 imports). This recent action also freed a few agricultural commodities, namely: inedible tallow; copra; fats obtained from bones, kitchen and slaughterhouse residues; hides and skins; and cotton linters.

In so far as the Italian balance of payments continues to improve, the Italian Government may be expected to further increase its dollar liberalization, but there is little indication thus far that many major agricultural commodities will be liberalized in the near future.

Quantitative restrictions on imports from OEEC countries and their overseas territories which had been eliminated on 99.8% of private agricultural imports from these areas (1948 basis) were re-imposed on a number of items in the latter half of 1955, bringing the total of liberalized imports down to 97.5%.

2. Bilateral Trade Agreements. Italy has bilateral trade agreements with 30 countries, including seven countries in the Soviet Bloc. A large number of agricultural commodities are included in these various agreements and several commodities of particular interest to the United States appear prominently in one or more of the agreements. Annual commitments of cotton under current bilateral trade agreement contingents involve approximately 254,000 bales, which represents 32 percent of normal annual imports. Wheat contingents under these current agreements amount to 22 million bushels annually (18.4 million from Argentina and the rest from Turkey, not including wheat on per memorandum basis in agreements with Iraq and Russia). Except for the durum

which may be obtained under these agreements, these wheat imports are not needed; Italy is at present trying to dispose of part of its surplus stocks of common wheat. Feed grain contingents call for about 265,000 short tons (principally from Argentina) which compares with annual imports in recent years of 330,000 to 440,000 tons. Other agricultural commodities involved in fairly significant amounts are oilseeds and edible oils, tallow, and dairy and meat products.

3. Tariffs. Italy imposes high tariffs on most agricultural commodities, although the "temporary" tariff schedule at present in effect does not have rates as high as the schedule passed by the Italian Parliament in 1950. With some exceptions, the latter has been used only as a basis for tariff negotiations under the General Agreement on Tariffs and Trade (GATT). The exceptions include the dairy product and sugar rates, which have recently been put into effect.

### Domestic Market Output Regulations, Price Support and Price Control

Generally price control of one form or another is employed as a means of influencing the volume of agricultural production. During the postwar years emphasis has been on increasing agricultural production to the prewar level and higher, with the intention of becoming as self-sufficient as possible and expanding supplies of commodities traditionally exported. Production now exceeds the prewar level by a significant margin and in some cases surpluses are developing (rice, sugarbeets, and certain types of cheese).

Price manipulation plays an important part in the wheat, rice, tobacco, sugarbeet and hemp picture. The prices on other agricultural commodities are relatively free. Wheat prices are set at levels to encourage production while the current emphasis on rice and sugarbeets is to bring about a reduction in production. Emphasis in the hemp industry is on increased production. In this respect it is significant to note that the Government of Italy has resisted pressure from various farm groups for higher prices particularly in the case of wheat, rice, and dairy and meat products. Wheat prices (on the amount pooled) have remained the same for the past three years and rice prices have, in fact, been reduced.

"Pooling" operations figure significantly in the price control operations on wheat and several other agricultural commodities. Part of the wheat crop is pooled on a compulsory basis; the pooling operations are financed and regulated by the Government. The prices paid to the farmers for the pooled wheat are established by the Inter-Ministerial Price Control Committee and currently range from \$3.25 to \$3.55 per bushel for durum wheat and from \$2.95 to \$3.15 per bushel for common wheat.

The entire production of rice (unmilled) is subject to compulsory pooling. In 1956, farmers were assigned area quotas and the price was set at \$4.35 per 100 pounds, which is 14.5 cents less than in 1955 and 29 cents less than in 1954. Rice grown outside of the assigned quotas is pooled at prices on the international market.

Hemp growers are obliged to sell their entire production of raw hemp to the Hemp Consortium, which is under the direct supervision of the Government, at a price established jointly by the Ministry of Agriculture and the Consortium. Growers may, however, sell semi-finished hemp to any interested buyers at whatever price is mutually agreed upon. The Government provides no direct financial assistance, but does issue instructions concerning the regulations for pooling raw hemp.

In addition to the compulsory pooling operations in wheat, rice, and hemp, there are presently voluntary pooling programs underway, largely through the facilities of the Federconsorzi (Federation of Italian Cooperatives), for olive oil, wheat, corn, barley, rye, oats, carob beans, vetch, linseed, mustard seed, lentils, cheese (grana, gorgonzola, and provolone), butter and silk cocoons. These programs are not always conducted on a national basis and frequently with regard to the minor cereals and pulses are limited to one or two interested provinces only. The Government is currently making a financial contribution to the voluntary pooling operations of olive oil, cheese, butter and silk cocoons.

Sugar prices are fixed each year and are the result of negotiations between representatives of the sugar producers association and the Government's Inter-Ministerial Price Committee. Acreage of sugarbeets was reduced in 1956 in an effort to reduce production which had been increasing at a more rapid rate than consumption. A slight reduction in the sugar price, by means of cutting the manufacturing tax and manufacturers' profits, has recently been ordered; this may, however, be too small to have much effect on consumption.

The tobacco picture is one of complete monopolistic control from the farm through the retail outlets. The industry is in a position to encourage the production of practically all types and varieties of tobacco in amounts sufficient for its needs and to provide supplies for exports to northern European countries. There is still a shortage of cigar wrapper tobacco and Kentucky Burley, and imports of Virginia fine cured tobacco are also needed for blending purposes.



# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON D.C

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FATP 39-56

Egypt's Agricultural Policies and Programs Affecting United States Trade in Agricultural Products.

The dominant objective of Egypt's agricultural policy is to maximize the use of the land and water resources in order to increase agricultural production for domestic consumption and foreign trade. Agricultural products account for about 60 percent of Egypt's annual income and comprise about 90 percent of its exports (principally cotton, rice and onions). However, Egypt is faced with a lack of sufficient productive land to support its growing population because 97 percent of its 247 million acres are desert or otherwise unsuitable for agriculture. A total of only 6.2 million acres are available for agriculture, although due to multiple cropping almost  $9\frac{1}{2}$  million acres are cropped. The population of Egypt has doubled during the past fifty years (11.3 million in 1907 to approximately 23 million in 1956), while the area under cultivation has increased only 10 percent (5.6 million in 1907 to 6.2 million acres in 1956). Thus, the problem of increasing agricultural production by bringing more land into production and by increasing yields is very urgent.

Egypt's immediate agricultural policy objectives emphasize the foreign sale of cotton, increased yields and greater diversification of crops, especially those for export. In pursuing these objectives, the Egyptian Government finds itself engaged in programs that directly or indirectly affect U. S. trade in agricultural products. These concern trade relations, domestic production and price controls and agricultural production development.

# I. Trade Relations

Egyptian agricultural trade developments during the past year were highlighted by the increasing bilateral agreements with Soviet Bloc countries, the nationalization of the Suez Canal and the subsequent blocking of Egyptian accounts in the United Kingdom, France and the United States.

#### Bilateral Agreements with the Soviet Bloc

The outstanding change in Egypt's trade picture this year is the increased importance of Soviet Bloc countries as markets for exports and as sources of imports. Bilateral trade agreements were made in 1955 and 1956 with seven communist countries: USSR, Czechoslovakia, Poland, Romania. Hungary, East Germany and Communist China.

Total Egyptian exports during the first eight months of 1956 amounted to LE 108. million (\$311.1 million) and imports to LE 141.0 million (\$404.7 million). (Exports increased 21 percent and imports increased 24 percent over the same period in 1955.). Trade with the Soviet Bloc during these eight months in 1956 accounted for 36 percent of Egypt's exports and 12 percent of her imports 1/. Exports to the Soviet Bloc increased 75 percent over the similar period in 1955 and imports from these countries increased 142 percent.

Egypt's exports of cotton (about 85 percent of total exports) for the trade year, August 4, 1955 through August 1, 1956, totalled 7 million kantars (1.4 million 500-lb. bales), up 40 percent from the previous year. Soviet-Bloc countries purchased 38 percent of the cotton exports in 1955-56 while Western Europe received 34 percent and the United States 3.6 percent. The previous year the Soviet Bloc took 21 percent of Egypt's cotton, Western Europe took 49 percent and the United States 6 percent. Soviet-Bloc countries increased their imports of Egyptian cotton by 115 percent this year while Western Europe decreased their share by 6 percent and the United States had a decrease of 17 percent.

In 1955-56, Czechoslovakia ranked first among Egypt's cotton customers, India was second, and France was third. Other Communist countries occupied fourth, seventh, tenth and eleventh place, while the United States was ninth and United Kingdom, twelfth. In the previous year, France was first and India was second; Western European countries were in third, fourth, sixth, tenth and eleventh places; and the United was in seventh place. Important customers from the Soviet-Bloc were: Russia in eighth place and Czechoslovakia in ninth place.

As the market year progressed, it became quite clear that Communist buying was centrally controlled. Purchases would be made by one Communist country against the specification of a mill in a second country and shipment would be made to a third country. Much of the cotton bought by China was shipped, for example, to Eastern Europe. Early in the season the Czechs, who did a great portion of the buying, bargained very long and got their cotton at a very low price. Later in the season, when (it has been theorized) Czechoslovakia was buying for other Communist countries, the buying techniques of the Czechs changed and they seemed to be purposely pushing prices up, apparently in an attempt to force Western Europe and the United States out of the market and change Egypt's normal pattern of trade.

There was also a shift in the source of Egypt's wheat imports. In the first half of 1956, Egypt imported 19.3 million bushels of wheat (including

<sup>1/</sup> Published trade data do not show Egyptian imports of military equipment from the Soviet Bloc.

flour) of which 93 percent came from the United States (10 million bushels under Public Law 480). Import requirements for 1956-57 were set at 22 million bushels. Agreements have been made to obtain two-thirds of this from USSR, one-sixth from Syria and one-sixth through Switzerland. Eighty-eight thousand short tons of wheat flour are also being imported from Italy.

### Nationalization of the Suez Canal and Blocking of Egypt's Foreign Accounts

The Suez Canal Company, an Egyptian Company of which most of the stock is owned by the British Government and French nationals, was nationalized unexpectedly by Egypt on July 26, 1956. This was immediately followed by the United Kingdom, France and the United States freezing Egypt's assets in these countries. The Egyptian Government recalled for review outstanding import licenses covering goods from these three countries, and revalidation was made on condition that payment be made against blocked accounts.

Steps were taken to intensify trade with countries having bilateral trade and payment agreements with Egypt, such as the Soviet Bloc, India, Japan, Holland and Switzerland, and to explore new possibilities for triangular arrangements. Efforts were made to persuade as many countries as possible to accept Egyptian pounds in payment of imports, which in turn could be used to buy Egyptian cotton and other local products for exports.

Saudi Arabia assisted Egypt's foreign exchange position by advancing some \$10 million (U.S. dollars) against imports of Egyptian goods and \$15 million for purchase of Egyptian pounds to be deposited into the Saudi Arabian Monetary Agency account in the National Bank of Egypt. India advanced Egypt a credit of 40 million rupees (\$8 million) against future cotton shipments. Communist China agreed to pay Egypt 20 million Swiss francs (\$4.5 million), instead of sterling, for cotton already shipped. Egypt also obtained \$15 million in Canadian dollars from the International Monetary Fund.

Egypt's imports from the United States from January 1 to July 30, 1956 (26 days before nationalization of the Suez Canal) were \$45.6 million, up 62 percent from 1955 1/. During the next three months imports from the United States amounted to only \$11.8 million. Exports to the United States during the first six months of 1956 were \$6.6 million, down to 43 percent of the similar period in 1955, and amounted to only \$1.1 million in the next three months.

## Cotton Export Policies

Minimum buying prices: The Egyptian Cotton Commission stands ready to buy cotton offered to it at the same prices as last year. These prices ranged from 45 tallaris per kantar (26 cents per 1b.) for Fully Fair Ashmouni to 83 tallaris (48 cents per 1b.) for Extra Karnak 2/. Prices never went down to this level last year so the Commission did not have to buy cotton. This was a marked contrast to the previous year.

<sup>1/</sup> The increase was largely due to PL 480 shipments and other U. S. aid. 2/ Five tallaris equal one Egyptian pound. A kantar equals 99.05 pounds.

Futures market: The Alexandria cotton futures market reopened in September 1953 and has operated satisfactorily under very strict Government regulations. The Futures Market had been closed since 1952 but new rules were designed to preclude past irregularities and to permit close coordination with the Liverpool Cotton Exchange. This market now gives cotton traders an opportunity to hedge against price fluctuations.

Suspension of entitlement accounts: With the reopening of the Alexandria Cotton Futures Market the Ministry of Finance announced the suspension of entitlement accounts and abolition of cotton exports under "B" clause accounts 1/. The virtual abandonment of multiple exchange rates made it possible for "futures" transactions to operate on the basis of a fixed, unitary note of exchange rather than various fluctuating rates.

Cotton export taxes: After the abolition of entitlement accounts, exporters were unable to sell cotton in foreign markets at a discount. Cotton exports taxes were reduced on September 1, 1955 by 46 percent for extra long staple varieties and 78 percent for all others. The tax reduction enabled exporters to absorb the loss of price advantages previously available through entitlement accounts and still offer cotton for export at competitive prices. The loss to the Government of revenue resulting from this reduction in cotton export tax was offset by the establishment of a seven percent import duty on all commodities from all countries, with the exception of certain equipment and materials used in industry and agriculture. The cotton export tax has remained unchanged from the level established in September 1955. Total tax is 8.2 tallaris per kantar (\$0.048 per 1b.) for Karnak and Menoufi and 2.1 tallaris (\$0.013 per 1b.) for other varieties.

Regulating exports: Except for cotton purchased by the Cotton Commission under the support price program (none was purchased in 1955-56 marketing year) the Egyptian Government leaves the market free and cotton moves entirely through private trade channels.

Incentives for export to the United States: One of the few sour notes in Egypt's cotton export situation during the past year was the effect of high prices in reducing cotton sales to the United States. Prices remained fairly stable through December 1955 but shortly after January 1st, Karnak prices rose so high that a considerable portion of the U.S. requirements for extra long staple cotton were met by the domestic U.S. crop of Pima S-1.

Several export incentives were devised to encourage cotton sales to the United States. The only one which has really worked allowed cotton exporters to sell 100 percent of the dollars obtained from cotton to Egyptian importers of selected products. When first announced, this applied only to tobacco but

<sup>1/</sup> The "B" clause is found in certain international payments agreements whereby cotton exports could be paid for in depreciated Egyptian pounds. Entitlement accounts permitted cotton exporters to accept payment in foreign currency, 75 percent of which could be sold to Egyptian importers at a premium.

has since been extended to pharmaceuticals, truck chassis, and automobile spare parts. This scheme works thus: A tobacco importer tells an Alexandria cotton merchant that he will pay, for example, 20 percent premium for dollars. The cotton merchant may then reduce his price in Boston by 20 percent and sees if he can make a sale. Most of these sales of cotton for export to the United States have been made recently at a 20 percent discount but earlier in the season the discount rate was lower. This price cutting resulted in Egyptian cotton being offered for sale in the United States as much as three cents below the Alexandria spot price.

These attempts to offset the price disadvantage on the U. S. market had only limited success since each of these subsidies tended to be wiped out as prices at Alexandria rose to higher levels. As a result, exports to the United States were one-sixth lower in the marketing year, August - July 1955-56, than they were in the previous season. When prices dropped at the beginning of the current market year, sales to the United States were resumed with the aid of these subsidies.

Control of price cutting: Among the measures taken by the Egyptian Government to circumvent the effects of the freezing of Egyptian assets in the United Kingdom, France and the United States following the nationalization of the Suez Canal has been the encouragement of barter deals. The Government has feared, however, that the bartering of cotton may result in excessive export price reductions, and that profit losses would be offset by exchange premiums obtained from importers and thus would be passed on to consumers in terms of higher priced imported goods. (This is similar to the practice that has been followed by Egypt in buying U. S. tobacco). Thus, the cash cotton prices, which are remaining high, would actually be discounted through barter deals.

On October 10, 1956 the Government issued new regulations which provided: (1) No barter transactions could be made involving a reduction in the price of cotton without the consent of the Exchange Control Department of the Ministry of Finance. (2) No such transactions would be approved which involved a cotton price reduction of more than 10 percent.

The United States is considered a special case and it is expected that cotton price discounts in excess of 10 percent will be allowed.

# II. Domestic Production and Price Controls

Egypt uses a system of price supports and production controls on most of its important crops. The supports are administered through outright purchases rather than loans.

Price supports: The Government offering price for wheat has been LE 4.00 per ardeb (\$2.06 per bushel) for Hindi wheat and LE 3.80 (\$1.95 per bushel) for Balady wheat. The Government is ready to buy any amount offered to it for this fixed price.

Government fixed minimum prices for Egypt's increasingly important rice

crop in 1955-56 were the same as for 1954-55; LE 16-17 per dariba (about 2 cents per 1b.) of rough rice. The banks were ordered to buy for the Government any and all rice offered at the minimum prices.

Wholesale and retail prices of citrus fruits are fixed by the Ministry of Supply. Prices during the season October 1955 - February 1956 were the same as in 1954; however, on March 1, 1956, there were increased slightly.

Prices of corn, barley, and millet are allowed to fluctuate according to supply and demand. Price supports for cotton were discussed in the previous section.

Acreage controls: The 1956 acreage allotment for cotton in both lower and upper Egypt was restricted to  $33\frac{1}{2}$  percent of the agricultural area. This was the same allotment as 1955 in lower Egypt but was a reduction from 37 percent in upper Egypt, meaning reduced plantings of Ashmouni cotton. However, because of the high cotton prices at planting time there is some doubt that there was a real reduction in acreage.

In 1955, compulsory wheat plantings were not in effect and production dropped 16 percent from the previous year. Consequently, Egypt developed a wheat shortage in early 1956 and had to obtain 10 million bushels of wheat from the United States under PL 480. For 1956 the Government announced that not less than 33-1/3 percent of the agricultural area had to be in wheat, and wheat production was increased 7 percent. It is said that the Government has decided to increase wheat acreage 15 percent in 1957.

## III. Agricultural Production Development

Developing New Land: Developing additional areas of productive land is primarily dependent upon additional water for irrigation. This is the main reason why the great hope of Egypt is the new High Aswan Dam. It is anticipated that this dam will provide sufficient water to irrigate an additional 2,000,000 acres. The cost of the dam is estimated at approximately \$1.3 billion (not including irrigation development) and will supply, in addition to irrigation water, 875,000 kilowatts of electric power. Mapping and borings for the new dam have taken place but the all important questions of securing the necessary finances and of arriving at an agreement with the Sudan on the division of the Nile water have not been resolved. The Government of Egypt hopes that the dam will be completed within 15 years and that the new agricultural area will be producing crops within 20 years.

Meanwhile, the Government this year is continuing various projects which have added 265,000 acres since 1952 and will continue to add more acres at a small annual rate. This consists of gradually extending irrigation along the border of the Nile Valley and of reclaiming saline soils in Delta areas adjacent to the Mediterranean Sea.

About 26,000 acres lying along the Mediterranean coast west of Alexandria are expected to be brought under dry land grazing. A project is now under way, with the cooperation of International Cooperation Administration of the United

States, testing varieties of grasses and legumes and methods of water conservation which, it is believed, will make possible the grazing of sheep. Currently, two flocks of 250 head each are grazing on rehabilitated range land now more productive than it has been in hundreds of years.

This additional expansion of Egypt's agricultural plant, if realized, will bring the country's total area from its present 6,200,000 acres to roughly 8,300,000 acres by 1976. This means, however, that the rate of cultivable area increase will not be sufficient to maintain the larger number of people expected in 1976 at the present ratio of 3.8 per acre. To do so would require a total of 10,900,000 acres by 1976 1/.

The Government has stated that its intention is to become self-sufficient in the production of food stuffs and achieve a greater diversity in its exportable products. Therefore, it is possible that very little of this additional 2,000,000 acres will grow cotton but will be used instead for wheat, rice, sugar beets, flax, fruits and vegetables.

Improving yields: Crop cultivation is intensive in Egypt and yields are relatively high. However, it is believed that they can be improved and agricultural production increased in this way.

Perhaps the most outstanding development is the increased use of commercial fertilizers. Egypt's present consumption of nitrogenous fertilizers is 112,000 metric tons nitrogen equivalent. This is estimated to be about half of the amount required for proper fertilization of the present cultivated area so Egypt's real fertilizer need is much higher and will increase with future expansion of cropland. The country is importing nitrogenous fertilizers but it is also producing about 24,800 tons nitrogen equivalent a year at the Suez Refinery. In addition, a plant now under construction near the present Aswan Dam is expected to start producing ammonium nitrate by 1959. The capacity of this plant will be 75,800 tons nitrogen equivalent. Egypt's domestic production of superphosphate is estimated to be sufficient to meet its local needs for the next ten years.

A second major effort in improving yields is the Government of Egypt's program of new seed development and distribution. The Ministry of Agriculture's experimental farms are developing new varieties of wheat, cotton, hybrid corn and rice. These new varieties are higher yielding and more resistant to diseases. The system of distribution of wheat seed provides that each farmer will receive a new supply of seed each third year.

Land reform: The present Government has declared that improvement of the welfare of the "fellaheen" (peasant farmers) is one of its primary objectives. Perhaps its most dramatic effort in this direction is the gradual redistribution of land by breaking up large land holdings. The Government has also established value, rent, tax and wage formulae and a system of compulsory

<sup>1/</sup> Basis for rough estimates: Current annual rate of population increase about 2.75 percent. Present population is more than 23 million. Projected population for 1976 is 40,000,000 people.

cooperatives designed to supervise, finance and educate the farmers.

The Land Reform Law was promulgated on September 8, 1952. Plans call for completing the job within 5 years or by September 8, 1957. Under the program, land ownership is limited to a maximum of 200 acres. A total of 656,736 acres were to be requisitioned for redistribution from 1,759 owners. To date, 406,000 acres have been requisitioned. The plan is moving forward but it is yet too early to determine whether or not the scheme is resulting in increased production. One possible effect of this program is a reduction in the production of cotton, with a shift to food crops on some of the land of the large estates which are being sub-divided.

The five-year program of organizing  $1\frac{1}{2}$  million farmers, (95 percent of the total number) cultivating 5 million acres into cooperative societies, is well underway.

Other schemes: Considerable work is going forward in the better use of irrigation water. It entails the relocation of many feeder canals and drainage ditches, the lining of a number of feeder canals to cut down on loss through seepage and the raising of the levels of many canals to permit irrigation by gravity. This is an important part of the program of increasing production by making more water available per acre and making it available under improved management throughout the year.

The Government of Egypt continues to carry out a series of measures to control its worst insect pests. Attacks by the cotton leaf worm were especially severe in 1955, but were lighter in 1956. The Government initiated a program of distribution of insecticides which was probably of assistance in checking the attack. (Control is usually maintained by thousands of children crushing the egg masses by hand). The Florida Red Scale is being effectively controlled by spray in the citrus fruit area.

New crops to be added to Egypt's agricultural scene are constantly under study. The purpose is to diversify and to provide exports other than cotton. There has been an attempt to produce sugar beets and it is reported that some 30,000 acres located along the western edge of the Delta in the Liberation Province is expected to grow this crop within the near future. Another possibility is tobacco. While a law prohibiting the cultivation of tobacco has been in effect since 1890, the Council of Ministers agreed on June 9, 1954 to permit the cultivation of tobacco under conditions to be promulgated by the National Production Council, the Ministries of Agriculture, Finance and Economy. It is understood, however, that no commercial tobacco is being grown because the Council has not yet made final decisions or announcements.

Improvement in the livestock of Egypt is constantly taking place. The Government has been improving the milk production of the water buffalo. It has also been demonstrated that the production of the native cow can be increased from the present average of 2,000 pounds of milk to 4,000 pounds and ultimately to much higher levels. Improvement in the local breed of sheep is in progress by crossing imported rams with native ewes.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

U. S. DEPARTMENT OF LICES

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FATP 40-56

# The Agricultural Situation of Mexico - 1956

The year 1956 was generally favorable to agriculture in Mexico. In the central plateau and along the Gulf Coast, rains started early and continued throughout the season. Production of some crops this year, however, was adversely affected by the destruction caused by hurricanes which hit the country during the summer and fall of 1955. Some losses were also reported due to drought in northern districts during 1956.

The output of corn and beans is expected to slightly exceed the 1955 production and the wheat crop was the largest on record. Coffee production in 1956-57 will also be a record. On the other hand, serious declines took place in the production of sugar, bananas, and tobacco. Steady progress is being made in increasing the output of animal products as well as of vegetable fats and oils.

Consumption of virtually all agricultural and livestock products was at a higher level during 1956 than during the preceding year with the exception of fruits. Quantities of fruit available for consumption were lower as a result of a sharp drop in banana production.

# Grains

Mexico was almost self-sufficient in its production of grains in 1956. Some quantities of corn, wheat and barley were imported during the year but they represented less than 5 percent of the country's consumption of these commodities. Supplies of rice were ample and a small quantity was exported.

The outlook for 1957 is for self-sufficiency with respect to wheat but unless the current corn crop is larger than now anticipated it is likely that imports of from 100,000 to 200,000 metric tons will be needed during the late spring or early summer. A further increase in rice production is anticipated in 1956 which may leave a surplus for export during 1957.

Consumption of all grains rose during 1956 as compared with the preceding year. The increase in consumption is estimated at about 3 percent in the case of corn, 5 percent for wheat, and 15 percent for rice.

Latin American Analysis Branch

#### Vegetables

Supplies of pulses were abundant during 1956. The large bean crops of the past two years have enabled the country to increase its consumption of this important item in the Mexican diet and have an exportable surplus estimated at about 40,000 metric tons. The outlook for 1956 is for another large crop. Unfavorable prices in the export market have prevented Mexico from exporting its bean surplus. Official retail prices have been lowered in an effort to increase the intake of this pulse. A decline took place in the production of chickpeas during 1956. This commodity has little importance in the Mexican diet since only about one-third of the crop is used for human consumption. Other pulses consumed in Mexico include horse beans, dry peas, and lentils. The country is self-sufficient in these commodities and foreign trade is negligible.

As a result of this poor 1955 tomato crop, supplies available for consumption during 1956 were low in comparison with the preceding year. Exports of tomatoes to the United States during the past winter season were approximately 20 percent lower than during the preceding season. The 1956 potato crop was large and supplies were ample. Prices declined during the latter part of the year and some growers suffered heavy losses. There was little change in the quantities available for consumption during the year of other vegetables, including sweet potatoes, onions, green and dry peppers, garlic, and peas. Approximately 10 percent of the onion crop and 20 percent of the garlic crop are exported annually. During 1956 exports of onions increased by 40 percent but those of garlic declined slightly.

#### Fruits

Of the large variety of fruits produced in Mexico only a few are of commercial importance. Of these the principal one is oranges. The bulk of the production is consumed domestically, exports amounting to only about 3 percent of the output. Supplies during 1956 were ample and consumption rose by about 7 percent.

The most important fruits in Mexico's foreign trade are pineapples, melons, and bananas. Exports of pineapples, both fresh and canned, during 1956 were at about the same level as in 1955 but a considerable increase took place in exports of melons. Exports of bananas, on the other hand, were down to almost one-half of the 1955 volume. This decline was the result of a hurricane which hit the producing districts during the latter part of 1955. The plantations are now recovering from the effects of the winds and floods and more normal yields are anticipated for 1957.

Production of apples and grapes rose during 1956 as a result of new orchards and vineyards coming into production. A decline took place in the case of limes but the output of other fruits, including peaches and plums, remained about the same.

#### Fats and Oils

Production of vegetable oils during 1956 is expected to be only slightly larger than in 1955. Increases in the production of cottonseed, coconut, palmnut, linseed, castor, and rapeseed oils were nearly offset by a decline in the output of sesame oil. Foreign trade in vegetable oils was negligible during 1956 but some exports of castor beans and castor oil are forecast for 1957.

Small increases in the production of both lard and tallow took place during 1956 but the country continued to be deficient in animal fats. Imports of these commodities during 1956 were at a slightly higher level than in 1955. Purchases of lard abroad have been temporarily suspended by CEIMSA, which is the sole importer of this commodity, because of complaints from domestic lard producers that these imports were unnecessary. Imports of tallow are still handled through private channels.

#### Meats

Supplies of meat available for consumption were 8 percent larger in 1956 than in 1955, as a result principally of an increase in beef production. Some increase also took place in pork output but the production of other meats was at approximately the same level as in 1955.

The Mexican Government is promoting the expansion of the country's livestock industry through the establishment of breeding centers throughout the country and the granting of credits for importing breeding stock. This program is making rapid progress and includes both beef cattle and hogs. As a result of these efforts it is expected that the output of animal products will steadily increase.

#### Other Livestock Products

As in the case of meat production, the Mexican Government is carrying out a program for promoting an increase in milk and egg output. Artificial insemination centers for dairy cattle have been established and the government has extended credits for importing dairy cows. At the same time poultry centers are being built for the distribution of chickens and for giving technical assistance to poultry producers.

Milk production rose 7 percent during 1956 and egg production 4 percent. The country was nearly self-sufficient in eggs during 1956 but imports of baby chicks continued at a high level. Restrictions on imports of powdered milk were relaxed somewhat during 1956 and imports increased both for use in reconstituting plants and by the chocolate and bakery industries. Two reconstituting plants are now operating, one owned by CEIMSA and the other a private plant which is delivering its product to CEIMSA for distribution. The total output of reconstituted milk at the present time is about 160,000 liters per day. This milk is distributed through CEIMSA stores at a price to the consumer of 60 centavos per liter.

#### Fibers

The 1956 cotton production is now estimated at 1,800,000 bales, 19 percent under the preceding year's production. Prices declined sharply during the first two months of the current season but recovered significantly during the month of September. Export sales are ahead of last season. The total exportable surplus from the 1956 crop is estimated at 1,350,000 bales, compared with 1,901,000 bales exported during 1955-56.

Henequen fiber production is estimated to have increased 5 percent during 1956. The production of ixtle de palma is reported to have increased by 20 percent during 1956 while that of ixtle de lechuguilla and kenaf remained at the same level.

#### Other Products

Extremely adverse weather brought about a decline of 20 percent in the production of sugar in Mexico during 1955-56. The total production during that season is now estimated at 744,000 metric tons compared with 891,000 tons in 1954-55. Consumption, on the other hand, has increased to 880,000 metric tons, 10 percent higher than in 1955. This situation wiped out the surplus of sugar which had accumulated and made it necessary for Mexico to import 50,000 tons to restore its stocks until the present grindling season which began in November. The outlook for the 1956-57 production is very favorable. The forecast is now for an output of about 920,000 metric tons, barring adverse weather.

The 1955-56 coffee crop is estimated at 1,450,000 bags of 60 kilos each, a decline of 9 percent from the preceding season. The outlook for 1956-57, however, is for the largest coffee production in the history of the country. The preliminary estimate is 1,750,000 bags which would leave an exportable surplus of 1,550,000 bags.

A reduction is anticipated in the 1956 output of both cacao and tobacco. The excessive rains and floods in the cacao growing districts last fall reduced the bloom to about 50 percent of normal. Unfavorable weather also affected the tobacco production on the Gulf Coast. In Nayarit, plantings were reduced because of credit restrictions.

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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D.C

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#### THE AGRICULTURAL SITUATION IN PAKISTAN

# Summary

Agriculture in Pakistan is now producing annually a substantially greater volume of products than were grown in the same geographic area in prewar years. It is expected that the total agricultural outturn during the 1956-57 crop year will be 11 percent greater than in prewar years (1935-39) and nearly 9 percent greater than last year's. In spite of this improvement, agricultural production in Pakistan has lagged behind population growth - especially the production of foodgrains.

Pakistan has made significant strides in establishing small and mediumsized industries - especially those which use domestic farm products such as cotton, jute, tobacco, sugar cane, and vegetable oil crops. The greater domestic utilization of these farm products, cotton in particular, has substantially reduced the quantities available for export. This has hurt Pakistan's foreign exchange earnings but reduced import requirements.

To remedy this situation, farmers were urged to increase production of the export crops. This emphasis necessarily caused some shift of scarce agricultural resources away from food crops necessitating substantial imports of foodgrains during the current as well as recent years. There are indications that the production of foodgrains will receive greater emphasis in national planning in coming years.

Exports of agricultural products were valued about 35 percent higher in 1955 than in the previous year and are expected to show further increase in 1956.

#### Rice

Most important by far in the total agriculture of Pakistan is rice production and approximately 90 percent of it is produced in East Pakistan. The total area under rice for the 1956-57 crop is estimated to be about 24.2 million acres and production is expected to amount to approximately 9,100,000 metric tons, milled basis. In 1955-56 Pakistan produced about 8,000,000 tons from 23.5 million acres. In spite of the improvement of

the 1956-57 crop over the previous year's, the crop will fall far short of supplying enough rice for the large Pakistani population which now stands at about 84 million •

The first Five Year Plan of the Pakistan Government calls for a moderate increase in production of rice. If achieved it will mean an increase of 11 percent over the crop in the base period (1948-55 for most crops).

#### Wheat

Ranking second in importance in the agriculture of Pakistan is the wheat crop. Virtually all of the country's wheat is grown in West Pakistan where it is the principal item in the population's diet. The 1955-56 crop totaling 3,500,000 metric tons was harvested from about  $11\frac{1}{2}$  million acres. Because of unusually favorable soil moisture condition in the main wheat growing area at seeding time for the 1956-57 crop, Pakistani farmers have planted a substantially greater acreage than they have in many years. Early estimates have indicated that about 12 million acres have been planted for the 1956-57 crop and with only average growing conditions, the total production should exceed last year's crop by at least 5 percent.

#### Other Foodgrains

Other important crops classed as foodgrains in Pakistan are millet, grain sorghum, corn, gram, and other pulses. Each of these crops is grown annually on more than 1 million acres with gram being grown on the largest area (3,000,000 acres). These crops add an aggregate of almost 2 million metric tons to Pakistan's food supply annually.

#### Oilseeds

Production of oilseeds, from which edible and industrial oils are extracted, is an important segment of Pakistan's agriculture. The per capita amount of edible fats and vegetable oils available for human consumption is extremely low and the prices to consumers are high. Production costs of these crops are relatively great, the processing costs are high, and the shipping costs are high so that retail prices are boosted out of reach of the lower income groups. Of late, crushing capacity in the country has registered a significant rise. This along with governmental encouragement for increased production may effect a rise in the volume of oilseeds in the near future. In the 1955-56 crop year, production of oilseeds totaled 943,000 metric tons with this breakdown: cottonseed, 562,000; rape and mustard, 330,000; sesame, 39,000; and linseed, 12,000.

#### Jute

Its cotton and jute crops are especially important to Pakistan for they are traditionally the chief foreign exchange earners of the country. As such, they have received much emphasis in governmental planning.

Jute is produced entirely in East Pakistan but it is grown in such volume that it ranks as the third most important agricultural crop in the

country. The amount of jute harvested during the 1955-56 crop year is placed at 1,234,000 metric tons grown on 1,634,000 acres. The estimated 1955-56 production was 36 percent greater than that of the previous year. First estimates of the 1956-57 crop indicate that the new crop may be significantly larger than in 1955-56.

#### Cotton

Cotton ranks as the fourth most important crop in Pakistan's agriculture but it is second only to jute as a cash crop. It is produced in both East and West with the bulk of it grown in West Pakistan. Cotton acreage was increased in 1955-56 to 3,540,000 acres from 3,185,000 acres in 1954-55. Official estimates of the 1955-56 cotton production indicate an increase of 9 percent over the previous year. It is predicted that further increases in production will be made primarily through improved cultural practices. The Government of Pakistan has put on intensive campaigns to show producers how to increase their production. The Five Year Plan has set a goal of 1,846,000 bales (480 lbs.) by 1959-60. Early estimates indicate that the 1956-57 cotton crop will total about 1,400,000 bales harvested from approximately 3,550,000 acres.

#### Sugar cane

Sugar cane is grown on roughly 1 million acres annually in Pakistan. The cane is used in a variety of ways. A considerable quantity is used for chewing purposes; sugar cane juice is used as a drink and in cooking, a little cane is fed to livestock. But the major portion of the cane is used in the manufacture of gur (a non-centrifugal sugar) which is used all over the country particularly by the poor and middle classes. Only small quantities of refined crystal sugar are manufactured each year. The 1956-57 crop of sugar is expected to total about 1.2 million metric tons on a gur equivalent basis.

#### Tobacco

Pakistan's 1955-56 tobacco crop was not a good one but it totaled about 270,000,000 pounds harvested from approximately 239,000 acres. Recently the most significant development in tobacco growing has been the switch to flue-cured Virginia leaf in the Western Wing of the country. Recurrent cigarette shortages in the country indicate that the supply has not met domestic demand. Increased cigarette production is scheduled during the coming year with the opening of three more manufacturing units.

This past year Pakistan exported about 1.4 million pounds of fluecured Virginia leaf, the first time that product had been exported. Another first was the planting of a small acreage of Burley.

#### Tea

Production of tea is an important item for Pakistan. In the past it has been the fifth largest foreign exchange earner. The 1955-56 year was a poor tea year. Production was about 52 million pounds, 4 to 5 percent less than the previous year. It is believed that the 1956-57 crop will regain this loss.

Pakistan's tea industry is in considerable difficulty. Her tea plantings are getting old without concerted efforts to renew them; machinery and spare parts are costing more and are difficult to get; present owners and operators are mostly foreigners. The Government intends to take more interest in this industry and has formulated a Tea Board for this purpose.

#### Livestock and Livestock Products

According to recent estimates there were about 6 million water buffalo and 25 million head of cattle plus smaller numbers of sheep, goats, and horses in Pakistan in 1956. Cattle are used basically as work stock, and buffalo for milk. Despite the large livestock numbers the total production of beef, pork, mutton, goat meat, poultry, eggs, milk and milk products is extremely small, particularly when considered on a per capita basis. Hides, skins, and wool are exported. After jute and cotton they are among the more important foreign exchange earners.

#### Trade in Agricultural Products

There has been no change during the past year in Pakistan's basic trade pattern, i.e., exports consist mostly of agricultural products and imports consist primarily of nonagricultural commodities. During the past year agricultural products have accounted for about 87 percent of the value of all exports whereas in the previous year they accounted for a little more than 94 percent of the value of all exports.

# Exports

Pakistan broke new ground in 1955-56 by exporting a number of commodities for the first time, for example, cotton yarn and cotton textiles, and flue-cured Virginia leaf. Pakistan also exported substantial quantities of fine rice and significantly larger jute manufactures during the year. Optimism is strong that it will be possible to keep on developing in these fields and to add even more items.

# Imports

The United States had the largest share of the agricultural commodities imported by Pakistan during 1955-56. These consisted mostly of wheat, cotton, cottonseed oil, rice, tobacco leaf, linseed oil, evaporated milk and white sugar. Most of these imports were aid or rupee sales under PL 480. This is the first time that some of these commodities have been imported from the U. S. and there is a possibility that a dollar market for U. S. dairy products and certain types of cotton may be established.



# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON, D.C.

\* APR 26 1957

U. S. DEPARTMENT OF AGRICULTURE

FATP 42-56

December 27, 1956

THE ACRICULTURAL SITUATION OF THAILARD, 1956

#### Summary

Continued increases in agricultural production are expected for the immediate future. Expansion of rice and oilseed production, as a result of the irrigation and flood control programs, will provide the basis for much of the increased output.

Though rice will continue to dominate the economy of the country, the government's program of diversification and industrialization is making some progress. About four-fifths of the Thai population live on farms or are dependent on agriculture, and 46 percent of Thailand's gross national product is attributable to agriculture. In this country where the population density is among the lowest in Asia, there is considerable room for expansion of agricultural output by bringing new land into production and by intensifying use of land now in production.

Since most of Thailand's foreign exchange earnings and a large share of its taxes are derived from agricultural products, the government has a real incentive to help the expansion of production for export. Government aid in the form of irrigation and flood control projects, rice breeding and other programs, is responsible for the increased efficiency and output of Thailand's agriculture. By attempting to raise the level of the health, education, and technical knowledge of the farming population and diversify the agricultural production, the government hopes to raise exports, lower imports, and improve the diet of the Thai people.

Rice production in 1955-56 increased substantially over 1954-55 and further increases are expected in 1956-57. In the foreseeable future moderate increases, at least increases more than offsetting the rapidly rising population, will continue. Exports of rice may increase by 75-100 thousand metric tons per year and the increase in irrigation, together with the drive to diversify, is expected to result in increased exports of oilseeds, particularly peanuts, and soybeans, and of corn, cassava and some fibers and livestock and livestock products. However, in this predominently agricultural country, where imports of agricultural products are negligible, the growth of the textile and cigarette industry may increase the imports of tobacco and cotton. The sugar mills will undoubtedly reduce the country's necessity to import sugar.

#### Rice

Rice is grown by about 90 percent of the farmers and occupies about three-fourths of the cultivated area. As a result of irrigation and flood control programs, particularly in the Central Plains and Northeastern areas, production will undoubtedly increase during the next few years. The Chainat Dam has been completed and will eventually benefit some 800,000 acres and rice breeding programs will also contribute to the expansion of rice output. Rice production in 1955 was 4.8 million metric tons milled basis. To date weather conditions in most areas have been favorable and trade sources have expressed the opinion that the 1956 crop may set a new record of production. The previous production high was 5.4 million tons in 1953.

Exports of rice and rice products amounted to 45 percent of total exports in 1955 and the revenue derived therefrom amounted to 25 percent of total government revenue. Exports in 1956 are expected to about equal 1955, that is 1.2 million tons, milled basis, Government authorities are hoping for exports of 1.4 million tons in 1957.

#### Tobacco

The Thai Tobacco Monopoly is by law the sole domestic manufacturer of cigarettes and smoking tobacco and the output of flue-cured tobacco is largely under its control. Some of this tobacco is of such low grade that the Monopoly is faced with a problem of disposing of accumulated stocks and discouraging increased production. By reducing the buying price the Monopoly succeeded in reducing the flue-cured tobacco production in 1954 and 1955, however, pressure from growers for larger quotas has evidently been successful for increased output in 1956 is forecast. Flue-cured tobacco production in 1955 is estimated at 7,332 metric tons, 32 percent of estimated total tobacco production. This is a substantial drop from the previous 5-year average, 1950-54 when flue-cured tobacco accounted for roughly half of the tobacco production. Attempts to dispose of the accumulated surplus through export channels have been partially successful and exports of the low grade leaf are likely to continue. Substantial quantities may be sold to Communist China in the next year.

Exact output of native, dark air-cured tobacco is not known but recent estimates place the 1954-55 crop at about 15.6 million tons. Since this tobacco is entirely consumed internally in roll-your-own cigars and cigarettes and home-made smoking tobacco, it is of no importance in international trade.

# Fibers

Cotton is the most important fiber produced but domestic output supplies only a minor part of the cloth and other cotton needs of the country. Imports of cotton yarn and fabrics are substantial. Plans to increase imports of raw cotton are expected when planned expansion of the cotton textile industry becomes a reality. In addition to cotton, there are 5 other domestically produced fibers which are of importance in international trade. Kapok production, most of which is harvested from trees growing wild, is rising and exports are increasing. Jute and kenaf production has fluctu-

ated widely in the past decade but, due to the large domestic requirement for these fibers for bagging, the Thai Government is attempting to stimulate their production. Seedlings are supplied free of charge; capital is loaned the farmers without interest; and research stations have been established to assist in the education of planters. To provide a stimulus to the local gunny factories, importers of bags must under Ministry of Economic regulations, buy one locally made bag for every three imported. Ramie and flax are also produced in marketable quantities but no recent records of production are available.

#### Miscellaneous Crops

Output of oilseeds, while still small, has increased substantially since 1950 and the trend is expected to be maintained. These crops, especially peanuts and soybeans, are prospering as a result of the new irrigation projects. In many places they are the second crop being grown on rice land which heretofore only yielded one crop of rice.

Self-sufficiency in sugar is a goal set by the Thai Government. A big step toward this goal has been made this year with the completion of one mill. An additional mill is planned and the combined capacity of the two mills will total about 25,000 metric tons of sugar. In 1955 38,500 tons were imported.

A wide variety of fruits and vegetables is produced but there is little trade in these commodities. Imports of processed fruits and most vegetables have been banned for several years to conserve foreign exchange. Exports consist chiefly of beans, largely mung beans, and hot peppers. Little fruit is exported.

# Livestock

The livestock population of Thailand, consisting mainly of buffalo, cattle and hogs, has increased slightly since the war and the outlook is for increased exports of livestock and livestock products. Buffalo and cattle numbers increased about two percent from 1947 to 1954. Slaughter of hogs in Bangkok has more than doubled since 1947, reaching 384,000 head in 1954. During the same year about 15,500 buffalo and 22,500 cattle were slaughtered. Attempts are being made to reduce the incidence of animal disease and to breed up the cattle population. Progress to date has been slow, only 10 percent of the buffalo and 5 percent of the cattle having been vaccinated.

Surveys have indicated potential demand in Hong Kong and Japan for frozen meat and plans are being developed for construction of a modern slaughterhouse with freezing facilities in Bangkok to enable Thailand to compete for this demand as well as to improve the efficiency with which livestock is marketed. Thailand has a great livestock production potential but many problems, including breeding, feeding, credit and transportation, must be overcome before that potential can be reached.

There is practically no dairy industry in Thailand and at present only a limited domestic demand for dairy products. A milk market development project is being carried out by the Dairy Industry Society International to

stimulate the use of dairy products. A recombined milk plant has just opened (December, 1956) for which ingredients are being financed through Public Law 480 funds.

Continued growth of the poultry industry is expected. The development of a Newcastle disease serum by an FAO technician has made commercial production feasible for the first time. Although quality is low, prices of poultry products, still relatively low, have been rising.

#### Foreign Trade

Thailand agricultural exports, exclusive of rubber, accounted for 54 percent of total exports in 1955. Rubber accounted for an additional 25 percent. The quantity of rubber exported in 1955 increased roughly 12 percent over 1954. However, the general rise in the world rubber price practically doubled the return realized from rubber exports in 1955 compared to 1954. Consequently, rubber was largely responsible for the swing in the balance of trade from a deficit in 1954 to a small surplus in 1955. This favorable balance is hoped to continue as a result of the outlook for expansion of exports of rice, livestock and livestock products, oilseeds and some fibers. Tobacco exports, shipped in quantity for the first time in 1956, are expected to continue for the next year at least because of the necessity of disposing of surplus low grade leaf not usable by the Monopoly.

Being primarily an agricultural country, agricultural imports amount to only about 11 percent of total imports. Imports of tobacco, most of which come from the United States, are expected to increase as consumption of cigarettes rises. Raw cotton imports probably will rise as the domestic textile industry grows. Imports of dairy products probably will be maintained for a number of years inasmuch as the development of a domestic dairy industry will take some time. On the other hand, imports of sugar will probably be sharply reduced.

Thailand: Production of Principal Crops 1,000 Metric Tons

	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56
Tobacco	10,719	15,718	18,425	23,775	22,621	22,886
Rice, milled	4,408 63	4,762	4,291 76	5,355 78	3,711 92	4,800
Peanuts, unshelled	0)	76	10	10	10	94 11
Sesame	12	21	21	20	22	20
Soybeans						
Castor Beans	. •	<u>1</u> / 13 <u>1</u> /		17		1/ 16
Copra 2/	105	122	126	152	207	224
Corn	27	42	45	51	62	67
Mung Beans	32	26	24	26	28	34
Cotton, lint	6	8	7	8	7	8
Sugarcane	1,291	1,476	1,819	2,437	2,699	2,765
Kenaf and Jute	7	23	14	16	9	-,,,,,
2/ -		_	•		_	-

½/ Exports ½/ Copra equivalent of coconuts produced.

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UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN AGRICULTURAL SERVICE WASHINGTON D.C.

FATP 43-56

# APR 2 6 1957 # U. S. DEPARTMENT OF AGRICULTURE

December 28, 1956

THE AGRICULTURAL SITUATION IN JAPAN, 1956

# Summary

Japan enjoyed another bumper harvest in 1956. Total crop production was 22 percent above prewar - second only to the record output of 1955. Production of grains aggregated 14.7 million metric tons - 9 percent less than 1955 but 6 percent above 1954. There was little change in acreage, and the decline in production is due to less favorable weather, especially in Hokkaido, compared to 1955. Production of pulses and oilseeds, except rapeseed, was down in 1956. Decreases were also noted for potatoes and vegetables. Slight increases were noted for tobacco and tea, and considerable increase for fruits.

Food supplies are relatively abundant with imports heavy during 1956, although at a lower level than in 1955. With a high level of industrial activity and sizeable holdings of foreign exchange, Japanese import demand for farm products is expected to remain brisk in 1957.

# Supply and Distribution

# Grains

Japan again has abundant supplies of rice. Production of brown rice in 1956 is officially estimated at 10,600,000 metric tons. This is 11 percent smaller than the all-time bumper crop of last year, but only 9,400 tons less than the previous record crop of 1933. And despite increased consumption during the past year, unusually large stocks of rice are being carried over from the 1955 crop.

Imports of rice have been falling off during the past year. In April this year the Government made plans to purchase 1,230,000 metric tons of foreign rice during the Japanese Fiscal Year 1956 (April 1, 1956 - March 31, 1957). The actual purchase, however, for the first half of the fiscal year was reduced sharply from the original plan, and the import program for the second half has been curtailed. No rice has been imported from the U. S. since March this year, and little if any is expected to be purchased from the U. S. during the October-March period.

The Government expects to collect from the 1956 crop of rice nearly as much rice as was collected from the 1955 crop. Pre-harvest purchase contracts amounted to 4,529,000 tons of brown rice on the closing date (August 10, 1956). This is about 40 percent more than the Government's target. On October 1 the Government simplified the system of rice rationing and lowered the ration price of imported short-grain rice as well as of certain sales of domestic rice. Black market prices for domestic rice have declined during the past year and are now nearly as low as the official ration price.

The final estimates for production of wheat, barley, and naked barley total to 3,715,000 tons. This is exceeded only by the production of 1955 and the record harvest of 4,099,000 tons in 1954. Imports of wheat during January-September 1956 are down slightly from the corresponding period of 1955 while imports of barley are up substantially. For the Japanese fiscal year April 1956 - March 1957, planned imports of wheat have been revised downward to 2,225,000 metric tons compared to 2,333,000 tons for the previous year. Planned purchases from the U. S. are scheduled at 1,212,000 tons. Planned purchases of barley for the current fiscal year have been revised upward from 880,000 tons to 945,000 tons. Most of the increase is scheduled from Australia. Purchases from the U. S. are planned at 353,000 tons.

Consumption of wheat and barley products has declined somewhat during the past year as a result of larger supplies of rice available at reduced prices. The planted acreage of common barley in 1957 is expected to be about the same as in 1956; the forecast for wheat and naked barley is for a slight reduction in acreage.

Production of minor grains is down 15 percent from 1955, primarily because of poor weather conditions in Hokkaido. Imports of corn and sorghum are planned at 262,000 tons for the fiscal year ending March 1957.

# Oilseeds

Production of <u>soybeans</u> reached only 438,000 metric tons. This decrease of about 70,000 tons from 1955 was due to a slight decrease in acreage and poor growing conditions in Hokkaido. The 10 percent duty placed on soybean imports effective October 1, 1956, is not expected to reduce imports in the immediate future. The Government plans to allocate funds for the import of 435,000 tons of soybeans for the six months ending March 1957.

Output of rapeseed amounted to 317,000 tons in 1956. This is 17 percent above last year's crop and 10 percent higher than the previous record crop in 1953. Production of peanuts is down slightly from last year. The Government has allocated foreign exchange funds sufficient to import 10,000 tons of rapeseed and 16,000 tons of peanuts during the year ending March 1957.

#### Beans and Peas

Production of beans and peas in 1956 amounted to 222,500 metric tons - a decline of 38 percent from last year due to unfavorable weather in Hokkaido. Imports during the marketing year July 1955 - June 1956, amounted to 75,507

tons. Only 5,355 tons were imported from the U.S. compared to 31,438 tons from Burma and 36,084 tons from China. Increased imports are scheduled for the current marketing year.

#### Other Crops

Production of both sweet potatoes and white potatoes is down from the record crops of last year. Production of starch from potatoes is expected to decline in 1956 and prices will probably be at a lower level. With 1956 the up year in the fruit cycle, production of fruit is nearly 25 percent above 1955. Output of tea is continuing an upward trend. Tea exports have been slow in 1956. Production of leaf tobacco in 1956 is estimated at 151,009 metric tons, a new record high 0.9 percent above the 1955 crop. It is reported that the leaf has ripened well and that quality is very satisfactory. Imports will probably be down some from 1955.

Japanese cotton imports in 1956, both total and from the U. S., are running about 37 percent ahead of 1955. Prices of raw cotton have declined, and the limitations on textile output have been removed. Both domestic consumption and exports of cotton textiles have increased. Exports of cotton fabrics to the U. S. during the first nine months of 1956 were 11 percent above the corresponding period of 1955, while exports to all other destinations increased by 100 percent. The countries of Southeast Asia are especially important as markets for Japanese cotton textiles.

# Outlook

As a result of two consecutive years of above-normal production, Japanese farmers have improved their position substantially and reduced indebtedness. The industrial boom has contributed to rural prosperity in providing a strong market for domestic agricultural output and in offering non-farm employment to the large numbers of families who would otherwise be underemployed because of the small size of their farms. A third bumper harvest is probably unlikely in 1957, but with continued high level industrial activity, farmers should expect a reasonable share of prosperity. U. S. exports of agricultural commodities to Japan in 1955 amounted to \$386 million. Such exports may well reach \$400 million in 1956 and even higher in 1957. Competition for the Japanese market will continue to increase, but Japan will remain a major foreign market for U. S. cotton, wheat, barley, soybeans, tobacco, hides and skins, and tallow.

JAPAN: Principal Agricultural Imports

	•	166T	74	••	195	10	••	195	9
	•	••		. Jan.	-Dec.	ı	Sept. :	JanS	ept.
Commodity	: Unit	: Total	U.S.	. Total	U.S.	Total	U.S.	To tal	U.S.
Dio	. 1 000 m t	1.432	3/16	1.246	243	9176	169	0179	18
Integration of the second of t	=======================================	2,187	1,095	2,287	1,154	1,790	892	1,640	683
Rarley	=	192	205	576	326	430	190:	692	247
Corn	=======================================	195	2/2	343	199	264	187 :	195	77
Southeans	=	••	143	808	572	630	1,38:	622	156
Cotton	: 1,000 bales	2,248	928	2,025	654	1,478	77.	2,031	902
Hides and skins	1,000 m.t.	••	32	. 62	15	641	38	52	38
Tallow		••	92	: 117	98	87	77 :	8	77
Tobacco		. 7	7	10	9	9	n.a.	7	n.a.
Value above items	\$1,000,000	1,008	136	951	396	723	262*	729	*276

<sup>\*</sup> Not including value of tobacco

JAPAN: Acreage and Production of Principal Crops, 1955 and 1956 1/

	••	Planted area	area		Production	Sion
Crop	•• ••	1955 (1,000 acres)	1956 acres)	•• •	1955 1956 (1.000 metaic tons	1956 ic tons)
						/a
Rice (brown)	• ••	7,617	7,660	• ••	11,855	10,600
Wheat	••	1,639	1,625	••	1,468	1,375
Barley	••	1,071	1,050	••	1,148	1,132
Naked barley	••	1,389	1,375	••	1,260	1,208
Soybeans	••	953	948	••	507	1,38
Beans & peas	••	723	692	••	359	222
Rapeseed	••	513	623	••	270	317
White potatoes	••	512	505	••	2,869	2,690
Sweet potatoes	••	930	046	••	7,180	0,540
Vegetables	••	1,142	1,160	••	7,602	7,560
Fruits	••	505	512	••	2,078	2,576
Tobacco	••	1,87 2,57	189	••	150	151
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# FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE FOREIGN. AGRICULTURAL SERVICE WASHINGTON, D.C.

FATP 44-56

U. S. DEPARTMENT OF AGRICULTURE

December 31, 1956

THE AGRICULTURAL SITUATION IN EGYPT

At the outbreak of the Suez conflict, Egypt's agricultural situation appeared to be very good. Better than average crops were harvested in 1956. Cotton yields were higher, so that even though there was a reduction in acreage from the previous year, production was only slightly lower. The marketing year opened with good cotton prices and the outlook indicated that Egypt would be able to sell its entire crop. Wheat yields were better than in 1955. Corn was also good, suffering less damage from insects than previously. The largest rice crop in history was being harvested at the end of 1956. Egypt had already contracted for her total import requirements of wheat - her only important grain import. Since the weather and the water supply were relatively favorable and there were no serious insect attacks, production of other food crops was normal or better.

It is too early to evaluate the effect of the Suez situation upon the agricultural picture in Egypt. France and the United Kingdom were among Egypt's best cotton customers. Egypt has made requests for imports of additional wheat and corn. This may be due to difficulty in obtaining delivery from U.S.S.R. and Syria or it may be increased needs resulting from the war situation.

# Cotton: 1/

Egypt has just completed a good cotton year and the outlook for the new cotton season is excellent. Stocks are low, the lowest in six years; new customers have been found behind the Iron Curtain from whom Egyptians are expecting still larger orders for the new season, and old customers in most of the free world have been retained in spite of high prices.

Cotton acreage was reduced in 1956 by law because of a build-up in cotton stocks at the end of the 1954-55 marketing year. Also Egypt desired to increase the production of wheat. The law provided that not more than one-third of a farmer's acreage could be planted to cotton and at least one-third had to be planted to wheat. Area harvested in 1956 was 1,716,000 acres compared to 1,885,000 acres in 1955 and an average of 1,832,000 acres from 1950 to 1954.

1/ See also: Foreign Crops and Markets, Vol.73, No.20, pp.23-26, Nov. 12,1956 and Egypt's Agricultural Policies and Programs Affecting U.S. Trade in Agricultural Products. FATP Circular 39, December 1956.

Yields this year were somewhat better than last, insect damage having been less severe. The first official estimate, released October 1, gave a production of 1,523,000 bales 1/. The second official estimate, released December 3, reduced this to 1,483,000 bales; including 614,000 bales of extra long staple, 295,000 bales of medium long staple, 543,000 bales of medium staple and 31,000 bales scarto. Trade sources believe this is too low and place the figure at 1,626,000 bales (table 1).

Egypt's exports of cotton during August-July, 1955-56 totalled 1,460,000 bales compared to 1,045,000 bales in 1954-55 and 1,321,000 bales in 1953-54. Soviet Bloc countries purchased 38 percent of the cotton exports in 1955-56 while Western Europe received 34 percent and the United States 3.6 percent. The previous year the Soviet Bloc took 21 percent, Western Europe 49 percent and the United States 6 percent. In 1955-56, Czechoslovakia ranked first among Egypt's cotton customers, India was second and France was third; the United States was in ninth place.

Egyptian cotton prices remained fairly stable from the opening of the season in 1955 until the first of 1956. Then they started to climb and by May had risen over 50 percent. Though they dropped late in the season, prices in September 1956 were well above those of the previous year.

Table I. Supply and Distribution of Cotton in Egypt.

	1954-55	1955-56 Thousand bales	1956-57
Beginning stocks Aug. 1 Crop production Imports	405 1,598	600 1,535	302 1,483
Total supply	2,003	2,135	1,785
Consumption Exports Ending stocks, July 31	358 1,045 600	373 1,460 302	
Total distribution	2,003	2,135	

### Wheat:

Egypt would like to become self-sufficient in wheat and thus remove the need for imports. It achieved some success in this direction; imports of wheat dropped from over 29,394,000 bushels to 353,000 bushels during the period 1950 to 1955. However, the increased consumption needs, coupled with a somewhat lower 1955 production resulting from relaxation of planting requirements, caused a short supply situation during 1955-56. By the first of 1956 Egypt had only about one month's supply of wheat remaining. An agreement was made with the U.S. Government by which Egypt received over 10 million bushels of wheat under Public Law 480 and Public Law 665. Additional wheat was obtained from the U.S. for dollars and from Russia, Romania, France, Italy and West Germany.

<sup>1/</sup> Bales of 500 pounds gross.

Egypt's 1956 production of wheat was 56,856,000 bushels on 1,630,000 acres, higher than the 1955 crop of 53,329,000 bushels on 1,581,000 acres, and also above the 1951-55 average production of 51,626,000 bushels on a larger area of 1,662,000 acres.

More significant and more complete than these national figures are those for the urban wheat supply maintained by the Ministry of Supply. This Ministry buys all the wheat the farmers sell, does all the importing and supplies all wheat needed in cities and towns (table 2).

Contracts for all of the wheat imports shown for the new year have been concluded. Fifteen million bushels is to come from Russia with payment in Egyptian pounds. The first contract for 7.5 million bushels was made early in September and the second contract for 7.5 million bushels was concluded September 29th. The reported price of the latter was LE28.75 per metric ton (\$2.25 per bushel). About 3.5 million bushels will come from Syria. This contract, signed August 30th, for a price of LE 30 per metric ton (\$2.34 per bushel) is to be paid for partly in Egyptian pounds and partly with imports to Syria from Communist China and Czechoslovakia against Egyptian credits in these countries. The remaining 3.5 million bushels of wheat is reported to be U. S. wheat purchased with Swiss Francs through a firm in Switzerland. In addition to these wheat imports, 55,000 short tons of wheat flour have been purchased from Italy.

These supplies should be sufficient until the harvest of June 1957 and also provide for an increase in stocks.

Table 2.

Supply and Distribution of Wheat Handled by Egyptian Ministry of Supply.

	1955-56	1956-57
	Thousand	bushels
Beginning stocks July 1	9,369	6,981
Purchases from farmers	19,547	22,046
Imports (inc. flour as wheat)	19,312	24,581
Total supply	48,228	53,608
Consumption	41,247	44,092
Exports		60 60
Ending stocks June 30	6,981	9,516
Total distribution	48,228	53,608

#### Rice:

Rice acreage and yields have been rising steadily in recent years, as Egypt has striven to make rice an important export crop supplementing cotton. Rice involves intensive use of labor and gives a high yield per acre - both of which favor its cultivation in Egypt. However, since it requires a great quantity of water, and this is a relatively scarce resource, the ceiling for rice expansion is about 900,000 acres.

In 1955-56 Egypt had a record breaking crop of 993,000 short tons of milled rice from 623,000 acres. This was not the largest acreage on record, (being surpassed in each year 1945 to 1950 and in 1954), but is the largest crop of rice ever produced in the country, indicating the progress being made in rice yields. Estimates for the 1956-57 harvest are 1,095,000 short tons milled rice from 725,000 acres (table 3).

Of the 1955-56 exports, one-third went to Soviet Bloc countries - Russia, Czechoslovakia and Poland. Japan, Syria, Lebanon, and the Union of South Africa were other principal rice customers.

Table 3. Supply and Distribution of Milled Rice in Egypt.

	1955-56 (Thousand	1956-57 d short tons),
Beginning stocks, July 1	1	1/
Crop production	993	1,095
Imports	none	none
Total supply	993	1,095
Consumption	695	709 2/
Exports	<sup>298</sup> 1/	386 =
Ending stocks, June 30	=/	=
Total distribution	993	1,095

# Other Grains and Pulses:

Corn is the bread grain of a large proportion of the farm population. Egypt is practically self-sufficient in corn and very little of it moves far from the areas where it is produced. Because of food grain shortage in 1955-56, Egypt imported 86,000 short tons of white corn from the Union of South Africa. It is estimated that the 1956 corn crop area will probably be somewhere near the 1.9 million acres of 1955; nevertheless, total production may exceed slightly the 68 million bushels harvested last year (table 4).

Grain sorghum (including millet) estimates are not complete for this year. There is an acreage increase in the summer sorghum crop; assuming the small "Nili" crop will remain about the same, this would mean an increase in total area of 45,000 acres over last year. Based on last year's average yield, this acreage increase would mean an increased 1956 production of 61,000 tons (table 4).

Barley is a relatively minor crop. Some of it is grown in the irrigated areas where soils are sandy and wheat does not do well. Some is also grown in the desert along the edges of the Mediterranean where there are 5 to 7 inches of rainfall. The latter is grown by Bedouins who normally scratch the soil with a camel-drawn plow. Area in barley was reduced in 1956 meanwhile production

<sup>1/</sup> No estimate is available of stocks in domestic distribution channels;
normally there is no carry-over of exportable stocks.
2/ Estimated.

rose due to increased yields (table 4).

Pulses are important in the Egyptian diet. Meat consumption is very low and pulses are perhaps the most important source of protein; however, the per capita consumption of pulses is below a desirable nutritional standard. Production was up in 1955 but is down slightly in 1956 (table 4). Most of the pulses are cultivated in the basin irrigation lands, a great part of which was shifted to a perennial cotton cropping system. Imports of pulses were greatly up in 1955-56; 57,300 short tons compared to 44,300 in 1954-55. Imports of broad beans, 45,000 tons in 1955-56 were principally from Ethiopia; chickpeas, 5,000 tons, were from Sudan; and lentils, 7,000 tons, and lupines, 300 tons, were from Syria.

Table 4. Area and Production of Grains and Pulses in Egypt.

		1	955	1956	
Crop	Unit	Area	Production	Area	Production
		(1,000 acr	es) (000)	(1,000 acres)	(000)
Wheat	bushels	1,581	53,329	1,630	56,856 ,
Rice	short tons	623	993	725	1,095 \(\frac{1}{7}\)
Corn	bushels	1,908	67,469	1,900	68,000 =
Grain sorghum	short to	ns 454	591	499	652 🛂
Barley	bushels	141	5,815	137	5,870
Broad beans	short to	ns 372	289	350	227
Lentils	11 11	84	54	85	53
Chickpeas	11 11	13	9	12	8
Lupines	11 11	16	10	15	10 , ,
Fenugreek	11 11	63	43	60	40 ₹

# Onions and Other Vegetables:

Onions are Egypt's third most important agricultural export. They have an established market in Western Europe, especially in the United Kingdom and West Germany. There are two onion crops a year; the winter crop is for export and the summer crop is primarily for local consumption and is normally interplanted with cotton. The winter crop is mainly produced in Upper Egypt and the summer crop in Lower Egypt. The 1954-55 winter crop was a record of recent years but did not sell well. As a result the acreage in the winter of 1955-56 was reduced 10 percent (table 5). Exports for the first six months of 1956 were 198,900 short tons compared to 167,800 tons for the same period of 1955.

Vegetables, which are grown the year around, play an important part in Egyptian diet. There was a slight increase in area and production in 1955 over 1954 (table 5); figures are not yet available for 1956. Most vegetables are consumed locally; however, 66,000 short tons of potatoes and 4,000 tons of other vegetables were exported in 1955-56, principally to Western Europe, Malaya, and Lebanon.

Table 5. Area and Production of Vegetables in Egypt.

	195	54	195	55
Crop	Area (acres)	Production (short tons)	Area (acres)	Production (short tons)
Winter onions	45,100	290,300	41,100	263,600
Summer onions \(\frac{1}{2}\) Potato	67,800	144,100	72,200	161,500
	33,500	247, <b>7</b> 00	29,500	201,100
Tomato	91,700	573,700	99,700	625,700
Pepper	3,800	22,900	4,900	33,500
Marrow	19,000	136,700	21,000	157,700
Watermelon	48,000	469,500	52,900	534,400
Melon Cucumber	10,200	73,300	12,100 25,700	85,400 120,800
Cabbage	16,000	192,000	16,700	193,700
Cauliflower	4,400	44,700	4,500	45,800
Garlic	9,300	43,900	10,400	49,200
Sweet potato Green legumes Other vegetables	7,500	58,500	6,300	40,900
	20,600	43,200	18,000	42,000
	40,700	363,600	52,700	423,500

Fruits: Egypt is not basically a fruit producing nor fruit eating country. Even the citrus production is limited in area and citrus products are not widely consumed by the population. Date trees are common in the rural areas and dates are more important in the diet. Citrus production was up about 10 percent in 1955 over 1954 and estimates for 1956 list 284,000 short tons of oranges, 94,000 tons of tangerines, 45,000 tons of lemons and 880 tons of sweet lemons. Production of most deciduous fruits was down in 1955 compared to 1954. Grapes recovered from the extremely low production of 1954 to about 80 percent of normal in 1955. Estimates are not available for the 1956 crop of deciduous fruits (table 6).

Egypt exports citrus fruits to Sudan, Saudi Arabia and Czechoslovakia. During the six month period October 1955 through March 1956, 1,419 short tons of oranges, 105 tons of tangerines, 96 tons of lemons and 24 tons of sweet lemons were exported. Egypt imports some deciduous fruits from Lebanon and dried fruits from various countries.

# Vegetable oils:

Egypt's main source of vegetable oils is its cotton crop; 93 percent of the production of oil-seeds (on a tonnage basis) in 1955 was cotton seed. Production of cottonseed oil in 1955-56 was 97,300 short tons (including that crushed from imported cottonseed) compared to 91,800 tons in 1954-55. The estimate of oil production from the 1956-57 domestic cotton crop is 108,000 tons. Other oil crops grown in Egypt are sesame, 46,900 acres in 1955; peanuts, 35,000 acres; and flax, 15,700 acres.

Egypt normally imports some oilseeds from Sudan; 35,100 short tons in 1955 of which 26,800 tons were cottonseed. Also imported were 5,000 tons of edible oils and 1,100 tons of inedible oils, principally coconut oil from Ceylon and Malaya, and olive oil from Algeria and Greece. Egypt also exported 5,600

tons of oil in 1955, principally cottonseed oil to U.S.S.R.

Table 6. Area and Production of Fruits in Egypt.

	195	54	1955	
Crop	Area (acres)	Production (short tons)	Area (acres)	Production (short tons)
Orange Tangerine Lemon Sweet lemon Apricot Prune Peach Pear Apple Mango Guawafa Pomegrenate Olive Grape Date Fig Banana	30,300 9,200 6,000 600 2,000 n.a. n.a. n.a. 10,900 7,000 n.a. 2,000 20,600	249,300 76,200 34,800 4,500 8,800 3,100 5,000 4,300 4,600 49,000 37,600 12,700 3,400 11,200 418,000	31,400 9,800 7,700 700 2,100 n.a. n.a. n.a. 13,500 7,600 n.a. 2,400 20,400	271,300 89,300 37,500 4,600 4,400 2,400 3,800 6,800 4,200 75,000 32,800 9,600 5,300 82,700 363,000 10,100 55,600

# Sugar:

The policy of the Egyptian Government is to be self sufficient in sugar. Production of refined sugar in 1955 was 346,000 short tons compared to 298,000 in 1954 and was 42 percent above the 1949-53 average. Production for 1956 is estimated to be slightly lower, 342;000 tons. Area in sugar cane in 1955 was 115,000 acres. Egypt exported 33,400 short tons of sugar in 1955, principally to Sudan; in 1954, 24,700 tons were imported. Sugar has been rationed in Egypt since World War II; 1.4 pounds per person per month.

# Fiber Crops (other than cotton):

Flax is Egypt's principal fiber crop, other than cotton. The 1955-56 crop of 20,816 acres exceeded slightly the ceiling permitted by law. This crop provided 4,400 short tons of long fiber and 1,400 tons of tow and short fiber. Nearly all the flax fiber is usually exported to Western Europe. Such exports have dropped sharply during the past year, consequently, Egypt has about 8,800 tons of flax fiber on hand.

Kenaf is a fiber crop which can be grown in Egypt as a substitute for jute. About 1,500 acres will be planted this year but it is estimated that 15,000 to 30,000 acres will be in kenaf production by 1961.

# Livestock and Livestock Products:

Latest estimates of livestock numbers in Egypt (1955) are shown in

table 7. Also shown are total head of livestock slaughtered in 1954 (latest statistics available) and meat production.

Table 7. Total Number of Livestock, Number of Head Slaughtered and Meat Production in Egypt.

Livestock	: Number : (1955)	: Number Slaughtered 1/ : (1954)	:	Meat Production (1955)
	•			Short tons
Cattle Gamouse (buffalo) Sheep Goats Camels Hogs	:1,237,400 : 743,600 : 181,300 : 18,745	410,000 657,000 1,016,000 38,000 76,000 42,000		88,000 76,000 14,300 800 12,000 1,600
Horses Mules	: 42,400 : 9,800	gg em		
Donkeys	: 937,400			~ =

<sup>1/</sup> Includes calves, lambs and kids. About one-half of the slaughtering is done in plants and the remainder on farms.

Sheep usually constitute Egypt's main livestock import; 95,800 head from Libya in 1954-55 and 49,000 in 1955-56. Also imported in 1955-56 were 58,900 head of cows from Sudam, about 10,000 goats and 10,000 camels from Libya. Small amounts of meat (5,000 tons) were also imported. Imports of tallow during 1955 were 24,800 short tons of which 22,000 tons were from the United States.

Egypt produced 1,105,000 short tons of milk in 1955 of which 65 percent was produced by Gamousas, 25 percent by cows and the balance by sheep and goats. Only 10 percent was consumed as fresh milk; from the remainder was produced 176,540 tons of cheese, 24,170 tons of sammah (clarified butter of ghee) and 10,750 tons of butter. Egypt exported 326 tons of white cheese in 1955 and imported 5,310 tons of dairy products- most important of which were powdered and condensed milk - principally from Western Europe, Cyprus and the United States.